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East Asian Regionalism and Japan

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I. Introduction

Regionalism is a phenomenon extending all over the world and East Asia is no exception. Since 1997, the countries regarded as East Asian nations: Japan, China, South Korea, and the ten members of the Association of Southeast Asian Nations (ASEAN), have appeared more positive about the trend. In fact, the ASEAN+3 forum, which includes the above-mentioned countries, is recognized and accepted today.

Japan is a key actor in the context of ASEAN+3. Obviously, East Asian regionalism cannot be put into practice without Japan's strong support. Yet even though Japan once held up the ideal of an Asia-Pacific regionalism, it is also a fact that Japan had, for a long time, a negative attitude toward East Asian regionalism.

This paper aims to clarify why Japan's attitude toward East Asian regionalism changed in the 1990s, and to examine Japan's current regional policy.

The following Section II presents a brief history of Asia-Pacific regionalism. Section III analyzes the emergence of East Asian regionalism. Section IV touches on the process of Japan's participation in the Asian Monetary Crisis, and Section V follows up with additional background on Japan's regional policy change. Finally, Section VI examines the present situation of East Asian regionalism and Japan's regional policy.

II. Emergence of the Asia-Pacific Region: APEC as a Manifestation of Asia-Pacific Regionalism

This section briefly covers Japan's past regional policy up to 1990, touching on the origin of the very concept of Asia-Pacific regionalism because this concept is deeply related to the later emergence of East Asian regionalism.

According to Mie Oba, the "Asia-Pacific" concept was originally an idea of intellectuals in Japan and Australia (Oba 2002: 8). In fact, as the result of the rapid expansion of bilateral trade between Japan and Australia from the 1950s, leading economists in both countries—such as Dr. Saburo Okita, Dr. Kiyoshi Kojima, Sir John Crawford and Dr. Peter Drysdale—were strongly motivated to create a new economic dialogue between the nations of Asia and those of the Pacific. Since the 1960s, they

had often tried to combine the two different regional concepts of "Asia" and "the Pacific": the concept of "Asia" referring primarily to Japan, South Korea and the countries of ASEAN, and the concept of "the Pacific" referring to Australia, New Zealand and the United States.

Oba argues that this attempt to create a combined Asia-Pacific region resulted from Japan and Australia's search for regional identity (Oba 2002: 13). In other words, both Japan and Australia perceived themselves as being isolated from their neighboring countries. Although Japan and Australia are both located in Asia, policies such as Japan's Greater East Asia Co-prosperity Sphere and Australia's White Australian Policy only served to alienate the other Asian countries (Kikuchi 1995: 123). At the same time, neither Japan nor Australia was regarded as close fellow nations by the United States or Europe even though the economies of both countries heavily depended on the U.S. and Europe in the 1960s.

Therefore, the primary aim of creating the concept of an Asia-Pacific region was to gain for Japan and Australia recognition as members of a regional group. To further this purpose, both countries also jointly established such regional institutions as the Pacific Basin Economic Council (PBEC) in 1967, the Pacific Trade and Development Conference (PAFTAD) in 1968, the Pacific Economic Cooperation Council (PECC) in 1980 and the Asia-Pacific Economic Cooperation (APEC) in 1989. The result of such endeavors has been to win gradual acceptance of the new regional concept among neighboring countries in the Asia-Pacific region and to also win acknowledgement of Japan and Australia as the two nations at the central core of the new region.

The details of this process of recognition cannot be explained here. Suffice it to point out that there was a transition period involved in the acceptance of a new concept of "Asia-Pacific." In addition, the meaning of "Asia-Pacific" has undergone a number of changes within this transition process. For example, although the term "Asia-Pacific" was already being used in the 1960s, in its early context it was weighed heavily toward the Pacific rather than Asia (Oba 1997:66). Japan regarded the U.S. as relatively more important than the ASEAN countries at this time. Actually, when the above-mentioned PBEC and PAFTAD were established in 1967 and 1968, Japan was the only Asian nation included in both organizations[1]. The motivation to promote

[1] PBEC and PAFTAD were originally composed only of the five developed nations of those days: Japan,

Asian (East Asian) regionalism was very weak in the 1960s, probably because both Japan and Australia were, at this time, primarily concerned with finding ways to strengthen their economic relationship with the U.S.

Notably, in Japan, the Asia-Pacific concept also had another meaning in those days. Then Foreign Minister (later Prime Minister) Takeo Miki was the first Japanese politician to refer to the concept of an Asia-Pacific region, but he used the concept in reference to solving the so-called North-South Problem[2] (Terada 1998: 338). When Miki made a speech entitled "Asia-Pacific Diplomacy and Japan's Economic Cooperation" in May 1967, his meaning of Asia-Pacific was not always the same as the meaning the term has at present (Watanabe 1992: 108). Miki's concept was rather based on a perception that the Pacific nations, namely the developed countries, should stretch out a helping hand to Asian nations, namely developing countries. Clearly, as noted above, Asia and the Pacific were not yet on equal footing in the late 1960s.

From the middle of the 1970s, however, the meaning of Asia-Pacific began to change. American influence in Asia was gradually declining due in part to the Nixon Shock and the fall of Saigon, and there appeared a momentary power vacuum in the Asian region. It was at this point in time, in 1977, that then Prime Minister Takeo Fukuda announced the "Fukuda Doctrine" in the Philippines. The Fukuda Doctrine was epoch-making because it signaled Japan's official recognition of the ASEAN nations as friendly partners in Asia. The Fukuda Doctrine was a sign of the growing importance of Asia to Japan.

By the time the PECC, originally named the Pacific Community Seminar, was organized by Japan and Australia in 1980, the regional concepts of "Asia" and "the Pacific" carried almost equal weight. In fact, then Japanese Prime Minister Masayoshi Ohira, a proponent of the Pacific Basin Cooperation Concept, frequently emphasized the need for solidarity between Asian and Pacific nations. Still, because the PECC was started as a nongovernmental organization owing to ASEAN's careful attitude, it did not yet represent a completion of the Asia-Pacific concept.

In the late 1980s, the economies of many East Asian countries began to grow as they also saw increased democratization of their political systems. Japan began to see

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Australia, New Zealand, Canada and the U.S.

[2] He had been strongly influenced by Kojima and Okita.

these countries as important markets as well as regional partners. In short, as a result of the rapid economic growth in East Asia, later labeled the "East Asian Miracle," the Japanese government came to recognize most East Asian countries as equal trading partners rather than recipients of aid. The simultaneous emergence of a European regionalism, called the "Fortress of Europe," also very much influenced Japan's policy-making decision to speed up the formation of an Asia-Pacific regionalism.

By the late 1980s, Japan had decided that it was time to revive the concept of Asia-Pacific regionalism. In November 1989, in cooperation with Australia, Japan finally succeeded in establishing APEC, composed of the 12 countries of Japan, Australia, New Zealand, Canada, the United States, South Korea, Thailand, Singapore, Indonesia, the Philippines, Malaysia and Brunei[3]. APEC was the first formal and multilateral governmental organization in the Asia-Pacific region, and marked the embodiment of Japan's concept of Asia-Pacific regionalism (Oba 2001: 270). Japan's longtime dream of a combined Asia and Pacific region had at last come true in 1989.

III. The Emergence of East Asian Regionalism

How then, did Japan's foreign policy, once oriented toward the Asia-Pacific region, change to an East Asian focus? The following section traces the history of Japan's transition from Asia-Pacific to East Asian regionalism.

III-1. Origins: Mahathir's EAEC

Asia-Pacific regionalism was actualized by the establishment of APEC in 1989. Around the same time, however, a new regional concept based on East Asia was being created by the Malaysian Prime Minister Mohamad Mahathir. This concept was called the East Asian Economic Group (EAEG) and later the East Asian Economic Caucus (EAEC).

Mahathir conceived of EAEC as being composed of only East Asian nations

[3] APEC has gradually increased its members to include China, Hong-Kong and Chinese Taipei (Taiwan) in 1991, Mexico and Papua New Guinea in 1993, Chili in 1994, Russia, Vietnam and Peru in 1998. At present, APEC has 21 members.

such as Japan, China, South Korea and the ASEAN countries. His aim in proposing EAEC was, in a word, to remove American and Australian influence from the regional cooperation framework (Keating 2000: 89). Mahathir wanted to establish a new regional organization that would replace APEC.

The proposal of EAEC was significant because through it Mahathir introduced the concept of East Asian regionalism for the first time. In fact, according to Takashi Terada, "Until then (=EAEC[4]), East Asia had tended to mean Northeast Asia, consisting of Japan, China, South Korea, Hong Kong and Taiwan" (Terada 2003: 256). Yet, East Asia as defined by Mahathir included not only Japan, China, South Korea. Hong Kong and Taiwan, but also South East Asia, that is, the members of ASEAN: Singapore, Indonesia, Thailand, the Philippines, Malaysia, Brunei, Vietnam, Laos, Myanmar and Cambodia. The proposal of EAEC attracted world attention, especially from the Asia-Pacific countries. The U.S. and Australia were quick to declare themselves against EAEC because, needless to say, they were excluded from the new grouping.

Japan also hesitated to support Mahathir's proposal because, as already mentioned, Japan had long believed that it should play a mediator's role to link Asia and the Pacific. Participating in EAEC could be perceived as a denial of Japan's long-time promotion of an Asia-Pacific region (Tanaka 2003: 276).

Furthermore, most people in the Japanese government were pessimistic about the future of EAEC because the U.S. had been excluded from the concept. In short, Japan did not think that any Asia-Pacific institution could be kept going without American participation. Remember, when APEC was established in 1989, the Japanese government strongly insisted on American participation from the very first even when the Australian government appeared hesitant[5].

The idea of an EAEC never came to be realized in the early 1990s; primarily because it was not supported, not only by the U.S. but also Japan. In particular, Japan's untenable attitude was a final cause of the concept's failure, for even Mahathir had perceived Japan as a leader of EAEC. Later, however, there was to emerge a new framework similar to EAEC.

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[4] The above "(=EAEC)" was a footnote by the author.

[5] Australia originally argued that the U.S. should not be invited to the first forum of APEC in 1989. The Australian government was afraid that the ASEAN countries might not participate in APEC if the U.S. was allowed to join.

III-2. Preparatory Forum for ASEM

As has already been pointed out, in the early 1990s Japan's reaction to Mahathir's EAEC proposal was basically negative. But in 1995, by pure chance, a similar grouping to EAEC, composed of Japan, China, South Korea and the ASEAN countries, got together. This was the preparatory forum of the Asia Europe Meeting (ASEM).

The ASEM was proposed by Singapore Prime Minister Goh Chok Tong in 1994, basically to promote dialogue between Asia and Europe. In a sense, the basis of this concept was very similar to that of Asia-Pacific regionalism.

However, Asia and Europe had slightly different perceptions of what would be accomplished by ASEM. The leaders of ASEAN, which were very keen on the realization of ASEM, needed to check APEC so that ASEAN would keep a relatively profitable position in the Asia-Pacific region, while the leaders of Europe were afraid that Asia would attain deeper economic integration through APEC (Tanaka 1998: 72).

Not all the Asian countries that were perceived as the initial members of ASEM were actively supportive of ASEAN's proposal. In fact, the Japanese government was still very skeptical about the concept of ASEM because it seemed to be comprised of the same Asian members as had been once proposed for EAEC. If the Japanese government decided to join in ASEM, it could inadvertently contribute to an East Asian regionalism.

Besides, a great worry to Japan was that both Australia and New Zealand were not included in the concept. Because Japan and Australia had been cooperating to promote the Asia-Pacific region since the late 1960s, the Japanese government wanted to have Australia join ASEM as a member on the Asian side. Japan took part in the preparatory forum for ASEM in 1995, but it still claimed that both Australia and New Zealand should be invited to the first ASEM scheduled for1996[6] (Tanaka 2003: 281).

However, the first ASEM was held without Australia and New Zealand. Japan appeared to have backed down on the grounds that ASEM was not really equal to East Asian regionalism. An informal summit of only East Asian leaders was actually held just before the ASEM. According to Akihiko Tanaka, this was the first time that

[6] At ASEAN's initiative, the three Northeast Asia nations of Japan, China and South Korea were invited to a meeting of the ASEAN Economic Ministers (AEM) in 1995. However, because the participation of Australia and New Zealand was rejected by ASEAN, the Japanese government refused this invitation.

only East Asian leaders had gathered in one place. The following ten nations participated: Japan, China, South Korea, and the ASEAN countries (seven in those days)[7] (Tanaka 2003: 282).

The above-mentioned events occurring in the process of the ASEM's preparatory forum were not regarded as signs of an emerging of East Asian regionalism because the summit meeting of only East Asian leaders was considered secondary to the ASEM itself (Maswood 2001: 9).

ASEAN did not depend on Japan's participation in ASEM, but instead viewed the ASEM as an opportunity to expand on an ASEAN-led regionalism. In fact, ASEAN had been actively promoting its own version of regionalism since the early 1990s. Back in 1979, ASEAN had already taken the initiative by holding an ASEAN Post Ministerial Conference (PMC) including Japan, the U.S. and Australia. ASEAN's bid for an ASEAN-led regionalism took on full force in the mid-1990s. For instance, in 1994, not only did ASEAN propose ASEM, but also an ASEAN Regional Forum (ARF), primarily aimed at collective security in the Asia-Pacific region. In addition, ASEAN increased its membership from six to ten during the 1990s[8]. Therefore, we can safely say that ASEAN of the 1990s took the initiative in promoting a local regionalism (Tanaka 2001: 61).

An analysis of ASEAN's strategy is not the purpose of this paper, so further details will not be discussed here. Suffice it to say that in 1997, ASEAN finally and officially proposed a new ASEAN-led regionalism, called ASEAN+3, which was for all intents and purposes the beginning of East Asian regionalism.

III-3. Proposal of ASEAN+3 in 1997

The first step in the evolution of ASEAN+3 was then Japanese Prime Minster Ryutaro Hashimoto's round of visits to the ASEAN countries of Brunei, Malaysia, Indonesia, Vietnam and Singapore, in January 1997. Although the purpose of Hashimoto's visits was basically to strengthen Japan-ASEAN relations, he also took the opportunity to propose the holding of regular top-level conferences between Japan and ASEAN (Sudo

[7] ASEAN in 1996 was still composed of only seven nations: Thailand, Malaysia, Singapore, Indonesia, the Philippines, Brunei and Vietnam. Myanmar and Laos joined in 1997; Cambodia joined in 1999.

[8] The latter four countries called "CLMV" countries later joined ASEAN: Vietnam in 1995, Laos and Myanmar in 1997, Cambodia in 1999.

2002: 41).

ASEAN did not at first react to Hashimoto's proposal. Because ASEAN had always regarded a consensus among members as most important, it was necessary to first consult with all its members.

In April 1997, contrary to Japan's expectations, ASEAN proposed a summit of the ASEAN countries, Japan, China, and South Korea. Although the details remain unclear, the Kyodo News Service reported that Mahathir had strongly urged the holding of an ASEAN+3 summit (Kyodo News Service 1997: February 20). It may be speculated that Mahathir perceived Hashimoto's proposal as an opportunity to bring the EAEC into being. Because, as noted by then Australian Prime Minister Paul Keating, it was a well-known fact that Mahathir was still working to realize his cherished concept, EAEC (Keating 2000: 87). It is no wonder that Mahathir should strongly argue for the necessity of ASEAN+3.

ASEAN's reply to Hashimoto's proposal was unexpected for Japan. A Japan-ASEAN summit was seen as relatively easy, because Japan and ASEAN had already had, since the early 1990s, some bilateral meetings at the ministerial level, such as meetings of economic and finance ministers. ASEAN's latest proposal for an ASEAN+3 summit, however, was something new that Japan had to consider carefully.

It is not clear exactly when the Japanese government decided to accept ASEAN's offer. However, it can be safely said that the Asian Monetary Crisis in 1997 was an obvious incentive.

The following section will discuss the relationship between the Asian Monetary Crisis and East Asian regionalism.

IV. A Turning Point in Japanese Policy

As noted above, the 1997 Asian Monetary Crisis is now regarded as the beginning of Japan's participation in East Asian regionalism. Despite Japan's original skepticism, it was compelled to become involved in East Asian regionalism as a result of this crisis.

IV-1. The Beginning of Japan's Participation in East Asian Regionalism : The Asian Monetary Crisis

The Asian Monetary Crisis began in Thailand in July 1997, and quickly spread throughout Asia. The crisis was more severe in some ASEAN countries and in South Korea than in Taiwan or China.

By August 1997, Japan had decided to help ASEAN. A support conference sponsored by the International Monetary Fund (IMF) was held in August in Tokyo. It was decided at this conference to earmark 17.3 billion dollars for the ASEAN countries. Of this amount, four billion dollars came from Japan.

In September 1997, the Ministry of Finance of Japan formulated the concept of an Asian Monetary Fund (AMF), composed of Japan, China, Hong-Kong, South Korea, Indonesia, Malaysia, Singapore, Thailand, the Philippines and Australia. The concept was to create a fund of ten billion dollars to contribute to those nations suffering from the monetary crisis.

However, Japan's initiative for an AMF was frustrated by strong opposition from the U.S. The U.S. argued that an AMF would cause a "moral hazard." The U.S. said that the AMF was nothing but "easy money," which would provide financing only for Asian countries. The truth was that the U.S. did not like the idea of Japan's growing influence in Asia. In any case, Japan gave up on the AMF proposal and instead agreed to contribute to an emergency loan under the so-called Manila Framework proposed by the U.S. in November 1997.

It was in the middle of the Asian Monetary Crisis that the first ASEAN+3 summit, including Japan, was held in Malaysia in December 1997. But there was no significant outcome of this conference. The issue of regional financial cooperation was actively discussed but the first ASEAN+3 proved to be little more than a symbolic event[9]. The Japanese government did not put forward any new support schemes after the failure of its AMF scheme. In fact, Japan was very negative about taking any further initiative in the matter (Katada 2001: 179). Only Mahathir, a chairperson at the meeting, seemed very proud to see his longtime goal finally come true.

[9] Actually, neither the Korean nor Indonesian presidents at the time, Kim Yong-sam and Suharto, attended the first ASEAN+3 summit because of domestic problems. Each country sent their foreign minister instead of the president.

In early 1998, the Asian Monetary Crisis remained unabated, and many countries including both developed and developing countries regarded Japan's leadership in resolving the crisis as inadequate. The U.S., especially, actively voiced its criticism of Japan (Katada 2001: 181). Japan, however, was undaunted by this criticism from the U.S. and other countries. In fact, in order to defend Japan's position on the Asian Monetary Crisis, the Ministry of Foreign Affairs (MOFA) of Japan published in April 1998 a report, "Misperception and Truth about the Economies of Asia and Japan," which emphasized Japan's past contributions toward alleviating the Asian Crisis (Ministry of Foreign Affairs, "Misperception and Truth about the Economies of Asia and Japan," April 17, 1998, Tokyo).

There was increasing dissatisfaction within Japan over America's criticism of Japanese policy (Katada 2001: 180). According to the Japanese government, Japan had already contributed a total of 44 billion dollars by October 1998, while the U.S. gave only 8 billion dollars over the same period (Kishimoto 2001: 293). From Japan's perspective, it was the U.S. that was being unsupportive, not Japan.

Japan believed that no country was giving as much aid as it was. Furthermore, the Japanese government was hesitant to propose a new financial scheme after the failure of the AMF. By the middle of 1998, however, the U.S. gradually began to allow Japan to increase its influence in Asia and the Japanese government finally decided to offer further support to the countries suffering monetary crises (Kikuchi 2002: 21). In October 1998, Japan announced the New Miyazawa Initiative, a $30 billion capital support package named after then Finance Minister Kiichi Miyazawa.

The New Miyazawa Initiative came to be regarded as the epoch of Japan's regional policy because, "the Japanese government regained its active position with cautious independence as it announced the New Miyazawa Initiative and stepped up its financial assistance to Asian countries in distress" (Katada 2001: 186). In short, the New Miyazawa Initiative made clear that Japan was ready to make earnest efforts not only for the economic revival of Asian countries but also for seizing her own initiative outside American influence.

In fact, according to Eisuke Sakakibara, the former financial commissioner of Japan, there was a strong will in the Japanese government of the time for Japan to achieve relative independence from the U.S. (Sakakibara 2001: 16). Sakakibara and

others at the Finance Ministry hoped to forge strong ties between Japan and the rest of Asia, and the New Miyazawa Initiative was a direct reflection of this policy.

It may be surmised the gradual deterioration of Japan-U.S. relations from the early 1990s, especially since the Clinton Administration started in 1993, contributed to this new policy. Clinton was critical of Japan's protectionism in his presidential campaign. He also tended to favor China over Japan. In fact, not only did Clinton's unreasonable demands in the automobile negotiations attract a great deal of negative public attention in 1995, but he also chose to pass over American-allied Japan without stopping when he stayed in China for over a week in the summer of 1998 (Tanaka 2003: 287). Moreover, as mentioned before, it was an obvious fact that the Japanese government of those days was really dissatisfied with American criticism of Japan's monetary support to Asia.

Consequently, it was no wonder that Japan's attitude toward the U.S. began to change from the late 1990s. It was a natural outcome that Japan's connections to other East Asian countries should have grown stronger after the Asian Monetary Crisis. The Japanese government did not always play an active role in the grouping limited to only East Asian nations, but it is safe to say that Japan had become much more flexible toward and tolerant of East Asian regionalism in contrast to its stance toward Asia-Pacific regionalism.

IV-2. Japan's Positive Participation in East Asian Regionalism: The Chiang Mai Initiative

Just after the announcement of the New Miyazawa Initiative in October 1998, the second ASEAN+3 forum was held in Vietnam in December 1998. The leaders of the East Asian nations got together once again.

At this second ASEAN+3 forum, the Japanese government announced that Japan would carry out the New Miyazawa Initiative forthwith. Not only did Prime Minister Keizo Obuchi announce a special yen loan of ¥600 billion ($5 billion), he also pledged an additional $20 million for the establishment of a Japan-ASEAN Solidarity Fund (*Asahi Shimbun*, December 17, 1998).

As Oba notes, these kinds of financial support by Japan definitely worked to promote East Asia as a region (Oba 2003: 160). In fact, in addition to the ASEAN+3

Summit, other important meetings at various levels, such as a meeting of finance ministers and a meeting of central bank representatives won strong backing from Japan from early 1999. Through those meetings, the ASEAN+3 countries, especially Japan, were able to hold more active discussions on financial cooperation.

In November 1999, the third ASEAN+3 Summit was held in the Philippines. At this meeting, many ASEAN leaders called for a revival of the AMF scheme that Japan had once advocated in the fall of 1997. The Japanese government at that time was very forward-looking about the ASEAN request, because the U.S. and the IMF, which had strongly opposed the earlier AMF proposal by Japan, now welcomed Japan's new initiative for a revival of the AMF. This was partly because both the U.S. and the IMF had come to realize, as the result of the Russian and Brazilian Economic Crises, the limitations in their own ability to support the Asian countries, and partly because the Japanese government undertook careful and skillful diplomacy to obtain American support in advance. These factors made it possible for Japan to take the initiative in discussions for a new regional framework.

In May 2000, at Japan's initiative, the second Finance Ministers' Meeting of ASEAN+3 was held in Thailand, resulting in the Chiang Mai Initiative, a swap arrangement between ASEAN and the "Plus Three" nations—Japan, South Korea and China. The Chiang Mai Initiative was a bilateral agreement to lend foreign-exchange reserves to the nations suffering financial crises. In order to avoid criticism from the U.S., the Chiang Mai Initiative was actually launched by Japan as not only a bilateral agreement but also as a complementary measure to the IMF.

By March 2003, Japan had concluded bilateral swap arrangements with the following countries: South Korea (in July 2001), Thailand (July 2001), the Philippines (August 2001), Malaysia (August 2001), China (March 2002) and Indonesia (February 2003). Although both China and South Korea also concluded bilateral swap arrangements with Thailand and Malaysia, the Chiang Mai Initiative was obviously based on the Japan's ample reserve currencies.

Japan gradually strengthened its participation in the East Asian region through financial initiatives to resolve the Asian Monetary Crisis. As a result, the Japanese government became more deeply involved in the ASEAN+3 forum, which represents the East Asian regionalism.

V. Background to Japan's Policy Shift in the Late 1990s

Many prominent political scientists in Japan, such as Takashi Inoguchi, Akihiko Tanaka and Susumu Yamakage, say that the Japanese government has obviously gone through a historic change regarding its foreign policy since the late 1990s (Inoguchi 2002: 29, Tanaka 2003: 294 and Yamakage 2001: 76). At the same time, many prominent economists in Japan, such as Ippei Yamazawa and Shujiro Urata, also note that Japan has been adjusting her trade policy with a more pragmatic approach since the late 1990s (Yamazawa 2003b: 80 and Urata 2002:80).

In short, both political scientists and economists in Japan recognize that the Japanese government of the late 1990s undoubtedly began to regard Asia as the most important region. Of course, although the U.S. was still very important for Japan in terms of both security and economy, the above-mentioned scholars present strong arguments that America's relative importance for Japan is declining in proportion to Asia's rise in importance.

As already mentioned, Japan's participation in East Asian regionalism began with the outbreak of the Asian Monetary Crisis in 1997. However, some remote causes of Japan's policy change can be traced back to before the Asian Monetary Crisis. These include: (1)the rapid expansion of economic relations between Japan and East Asian countries, (2)the failure of Early Voluntary Sectoral Liberalization (EVSL) in APEC, and (3)China's policy change regarding regionalism. Judging from the results, not only the Asian Monetary Crisis but also these primary factors influenced Japan toward a more affirmative approach to East Asian regionalism.

The following section discusses these three factors in order to gain a perspective on how the Japanese stance toward East Asian regionalism changed.

V-1. Expansion of Economic Relations between Japan and East Asian Countries

According to Yamazawa, the economic ties between Japan and East Asian countries such as the ASEAN countries and China became stronger in the 1990s (Yamazawa 2003a: 7). The following two tables show this trend.

Table 1: Trade Flow among Japan, ASEAN and China (million US$)

			To		
			Japan	ASEAN*	China
From	Japan	1990		32,066	6,145
		2000		65,186	30,356
	ASEAN*	1990	27,000	27,500	2,268
		2000	55,945	93,075	16,179
	China	1990	9,327	3,493	
		2000	41,654	16,633	

Source: Yamazawa (2003a), p.6, Table 1.2.
Note: ASEAN* = Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

Table 2: Trade Intensity Index

			To		
			Japan	ASEAN*	China
From	Japan	1990		2.33	1.29
		2000		2.52	1.91
	ASEAN*	1990	2.77	4.17	0.99
		2000	2.49	3.92	1.16
	China	1990	1.99	1.10	
		2000	3.13	1.18	

Source: Yamazawa (2003a), p.7, Table 1.3.
Note: ASEAN* = Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

The "trade intensity index" of table 2 is defined as $\frac{Xij}{Xi} \Big/ \frac{Mj}{(Mw - Mi)}$, where *Xij* is country *i*'s exports to country *j*, *Xi* is country *i*'s total exports, *Mj* is country *j*'s total imports, *Mw* is total world imports, and *Mi* is country *i*'s total imports (Drysdale and Garnaut 1994: 24 and De Brouwer 2002: 223). The intensity index means the degree of trade intensity between two countries, and the average is always 1. To sum up, the greater the number is than 1, the stronger the trade relations between the two countries; the lesser the number is than 1, the weaker the trade ties. The trade intensity index makes it possible to precisely analyze the relative variations in each country's trade.

As we can see from Table 2, the economic importance of East Asia (ASEAN and China) for Japan obviously increased during the 1990s. In fact, the trade intensity index for Japan between 1990 and 2000 shows that Japan-ASEAN trade remained high at around 2.5 (2.49=Japan's imports from ASEAN; 2.52=ASEAN's imports from Japan). In addition, the intensity of Japan-China trade almost doubled in 2000 (3.13=Japan's imports from China; 1.91=China's imports from Japan). The reason for this, according

to Yamazawa, is that, “Ever since the appreciation of the yen in the late 1980s, Japanese companies have been mobbing out of Japan and establishing business networks in the East Asian region” (Yamazawa 2003b: 80).

In inverse proportion to the economic importance of East Asian countries for Japan, the importance of the Pacific countries such as the U.S. and Australia has been declining through the 1990s (Yoshida 2002: 142). Of course, although both the U.S. and Australia are still very important trading partners, their relative share of Japan’s total trade has been gradually decreasing. In the 1990s, neither Japanese businesses nor the Japanese government could afford to ignore the East Asian countries. The expansion of economic relations between Japan and the East Asian countries in the 1990s increased Japan’s participation in East Asian regionalism.

V-2. Stagnation of APEC: Failure of the EVSL Consultation

As previously stated, APEC, the embodiment of Asia-Pacific regionalism, was organized in 1989 because Japan and Australia considered the combining of the Asia and Pacific regions a necessity.

APEC, fruit of many years’ effort by Japan and Australia, was making satisfactory progress in the early 1990s. In fact, with more active American participation in APEC since 1993, APEC itself has attracted a great deal of attention. For instance, the APEC summit meeting came to be held regularly every year from 1993. Then, in 1994, there was the Bogor Declaration, promising that all APEC members would liberalize their own markets, by 2010 for the developed countries and 2020 for the developing countries. It would seem that Japan’s objective had finally been realized. According to Ippei Yamazawa, a Japanese delegate of the Eminent Persons Group (EPG) in APEC, the APEC of those days was obviously at its peak (Yamazawa 2001: 215).

However, the 1994 Bogor Declaration had an ironic side effect on Japan because the call for liberalization put Japan on the defensive within APEC (Drysdale 2002: 68). In fact, the Early Voluntary Sectoral Liberalization (EVSL) consultation, regarded as the touchstone of the Bogor Declaration, ended in failure in 1999 because of Japan’s strong opposition.

The Japanese attitude against EVSL was exceptional because it was the first

opposition by Japan in APEC's history. According to Tatsushi Ogita, Japan did not accept EVSL because of the following two reasons: exhaustive opposition by the Ministry of Agriculture, Forestry and Fisheries (MAFF) and influential members of the Diet on the agriculture committee, and lack of political leadership by the cabinet (Ogita: 2001: 162).

However, as Peter Drysdale has emphasized, the significance of the EVSL issue was not that Japan refused to liberalize its own market, but that it caused Japan to lose its initiative in APEC (Drysdale 2002: 68). Drysdale says that Japan's opposition against EVSL sent the negative message to international society that there were difficulties blocking liberalization among the APEC countries (Drysdale 2002: 68).

The failure of EVSL also caused a confrontation between Japan and Australia, because Japan objected strongly to liberalization while Australia supported liberalization. The difference of opinion between Japan and Australia only deepened in the process of the EVSL consultation, with Japan seeking allies in the anti-liberalization group, such as South Korea, and Australia approaching the pro-liberalization countries, such as the U.S. and Canada.

The split between anti-liberalization and pro-liberalization groups was basically caused by a lack of consensus among the APEC members (Okamoto 2001: 343). Each country interpreted the principles of APEC, especially "voluntarism," in a self-serving manner. For instance, Japan insisted that Japan's nonparticipation in the EVSL was a natural right based on APEC principles. On the other hand, the U.S. and Australia criticized Japan for an excessively broad interpretation of voluntarism. The pro-liberalization countries protested that voluntarism should not be interpreted to mean all countries might have everything their own way (Okamoto 2001: 344).

APEC's current stagnation, however, dates even further back to its initial hasty organization in 1989. The confrontation between the pro-liberalization countries and anti-liberalization countries was the result of policy makers in both Japan and Australia having hurried to join APEC without careful preparations. It is symbolic that the purpose of APEC was still unclear at the time of the first conference in 1989.

The split in APEC just got worse from1998. In particular, Japan and the Pacific group of countries including the U.S and Australia drifted further and further

apart[10]. And because Japan, which should have been the nucleus of APEC, remained negative in its tactics, it became increasingly difficult for Japan to show good leadership in APEC. Not only did Japan's enthusiasm for APEC gradually wane, Japan also became estranged from the Pacific countries, compelling it to stand outside of Asia-Pacific regionalism.

V-3. Expansion of China's Influence in East Asia

China's expanding influence in East Asia put the clincher on Japan's inclination toward East Asian regionalism. As China gradually increased its participation in East Asian regionalism from the late 1990s, Japan had no choice but to also become more active in the regional movement. Japan could not continue to ignore China's claim to supremacy in East Asian regionalism any longer.

Needless to say, Japan and China are rivals. The Chinese government objected to Japan's AMF proposal in 1997 because of this sense of rivalry, even though most other East Asian counties had approved the plan. According to Harris and Austin, "China does not support Japan's ambition to play a central role in the region" (Harris and Austin 2002: 144).

At the same time, the Chinese government used to be very negative regarding regional cooperation. In particular, China hesitated to take part in any kind of state-level organization because of the delicate problem of Taiwan. For example, not only was China's entry to APEC two years behind schedule on account of the Taiwan issue, but also the Chinese President Jiang Zemin required that Taiwan be excluded from the APEC Summit (Takagi 2001: 82).

However, it now seems that China has been gradually shifting its foreign policy on regionalism from negative to positive. The reasons why this is so will not be reiterated here because that is not the primary purpose of this paper. Still, it is at least obvious that China is ready to take the initiative in East Asia regionalism, not Asia-Pacific regionalism. In fact, according to Akio Takahara, China has recently and definitely changed to a positive and active regional policy, and now regards ASEAN+3

[10] Although ASEAN was not always an anti-liberalization group, ASEAN has always been negative regarding most APEC activities. ASEAN was opposed to Pacific group countries such as the U.S. and Australia because both the U.S. and Australia were active in institutionalizing and strengthening APEC.

as the most important framework for the region (Takahara 2003: 71). In December 1998, Hu Jintao, the Vice-Head of China at that time, proposed a vice-minister-level meeting at the ASEAN+3 Summit. In addition, in November 2000, the Chinese government proposed a Free Trade Agreement (FTA) to ASEAN.

China's proposal for an ASEAN-China FTA marked an epoch in East Asian regionalism, because it compelled Japan to propose to ASEAN in January 2002 a similar Free Trade Agreement, called the "Japan-ASEAN Comprehensive Economic Partnership (JASEP)." It was feared that Japan might lose the initiative in East Asian regionalism unless Japan also joined the FTA movement. As many political scientists have noted, Japan and China have been competing for the initiative in East Asian regionalism since 2000 (Inoguchi 2002: 8 and Oba 2003: 176). China's recent change has obviously promoted Japan's policy change.

VI. The Present Situation of East Asian Regionalism and Japan

ASEAN+3 seemed more vigorous than APEC or ASEM, partly because it encompassed more categories of cooperation in comparison with its predecessors. This section touches briefly on the institutionalization of ASEAN+3 and Japan's recent strategy toward FTAs.

VI-1. Institutionalization of ASEAN+3

According to its Joint Statement on East Asia Cooperation made in November 1999 in Manila, ASEAN+3 has expanded its deliberations to cover such new issues as political, security and social cooperation in addition to economic cooperation ("Joint Statement on East Asia Cooperation," November 28, 1999, Manila, the Philippines). The Statement declared that future issues of concern for ASEAN+3 would include: (1) Economic, (2)Monetary and Financial, (3)Social and Human Development, (4)Scientific and Technological Development, (5)Culture and Information, (6)Development Cooperation, and (7)Political and Security issues. Since then, the following minister-level conferences have been held every year in order to discuss these issues: the Economic Ministers' Meeting, the Foreign Ministers' Meeting, the

Agriculture and Fishery Meeting, the Labor Ministers' Meeting, and the Environmental Ministers' Meeting.

In addition to these minister-level meetings, two working groups were newly organized inside ASEAN+3. First, in 1998, the East Asia Vision Group (EAVG), a working group of private-sector experts from the ASEAN+3 nations, was organized with the strong support of Korean President Kim Dea-jung. In 2001, the EAVG submitted a report to the ASEAN+3 Summit in Manila. In this report composed of 57-point suggestions, the EAVG proposed some notable objectives for ASEAN+3 including the creation of an Asian Monetary Fund (AMF), an Asian Common Currency, an East Asian Free Trade Area, and an East Asian Summit (The East Asia Vision Group, "EAVG Report," November 5, 2001, Brunei).

The second working group, founded in 2001, was the East Asia Study Group (EASG), a working group of senior officials from the ASEAN+3 countries, to consult on the above proposals by the EAVG.. After fully examining all the EAVG's proposals, the EASG presented a final official report at the ASEAN+3 Summit in Phnom Penh in November 2002. This report was composed of 26 suggestions including 17 short-term goals and nine long-term objectives (Tanaka 2003: 295). Especially emphasized among the nine long-term goals was the realization of an East Asian Summit and the creation of am East Asian Free Trade Area (The East Asia Study Group, "Final Report of the East Asia Study Group," November 4, 2002, Phnom Penh, Cambodia).

As the Asian Monetary Crisis finally began to subside around 2000, the interest of every country shifted from financial issues to the FTA issue. FTA has been a topic of animated debate in the ASEAN+3 since then. After China proposed a bilateral FTA to ASEAN in 2000, Japan had to consider the FTA issue seriously. The next section examines Japan's current stance on FTAs.

VI-2. The Beginning of Japan's FTA Strategy

As a matter of fact, Japan was a latecomer to FTA. There was no FTA in Japan until January 2002 when the Japan-Singapore Economic Partnership Agreement (JSEPA) was concluded. At present, the Japanese government has officially announced that Japan is negotiating with South Korea, Mexico, Thailand, Malaysia and the Philippines for FTAs.

According to John Revenhill, the *White Paper on International Trade in 1999* by the Ministry of Economic and International Trade (METI) was the first official document supporting FTAs (Revenhill 2002: 180). Until then, Japan had remained negative on any bilateral or regional FTA, because the Japanese government was always advocating the concept of global-wide liberalization based on the GATT/WTO rule[11].

FTAs became increasingly popular, however, from the mid 1990s, and the Japanese government had to gradually change its trade policy. With increasing pressure for "competitive liberalization," Japan finally realized that it could no longer ignore the FTA issue. According to Yamazawa, competitive liberalization is "the phenomenon wherein liberalization occurring between two nations or among several in a region will spark participation in the process by other nations anxious not to be left behind" (Yamazawa 2001: 205). The ongoing Japan-Mexico FTA consultation is regarded as a typical example of comparative liberalization. Since Mexico concluded FTAs with not only the U.S. (NAFTA) but also EU (EU-Mexico FTA) in the mid-1990s, most of the Japanese corporations in Mexico have been at a great disadvantage caused by the FTA's negative impact or "trade diversion effect" (Yamazawa 2003b: 79). As a result, the Japanese government had to finally adjust its trade policy from the ideal of multilateralism based on GATT/WTO to a more pragmatic bilateralism allowing a wider range of options including FTAs.

In 1998, there were already some indications that Japan would soon start to negotiate its own FTAs. The first FTA proposal to Japan came from Mexico in June 1998. South Korea also proposed a bilateral FTA to Japan in 1998[12]. Although both were initially informal proposals, the Japanese government was forced to at least take the FTA issue under consideration (Ogita 2003: 220). In response to the Mexican proposal, an informal study group was promptly organized within then Ministry of International Trade and Industry (MITI) in July 1998. MITI policy makers finally realized there was a global trend toward FTAs, and they gave up their reluctance to discuss the possibilities of FTAs.

As a result, Noboru Hatakeyama, ex-Vice-Minister of MITI and then Chairman

[11] Of course, as already mentioned, it is a fact that Japan had strongly promoted the Asia-Pacific Regionalism leading to the formation of APEC. But Japan never perceived APEC as an organization for liberalization. See Section V-2.

[12] The details including the date were not clear yet.

of the Japan External Trade Organization (JETRO), decided to discuss Mexico's FTA proposal with MITI Minister Kaoru Yosano in September 1998 (Ogita 2003: 220). Because Yosano was also well-disposed toward the FTA issue, MITI officially started to study their ramifications. In October, an influential policy maker, Hidehiko Konno, Director-General of the International Trade Policy Bureau of those days, submitted an internal report to Yosano. The report, entitled "Promotion of a Strategic Trade Policy: Orientation of Regional Economic Agreements," touched on the possibility of bilateral and regional FTA options. Ogita notes, "This can be regarded as the time of MITI's substantial policy change from principal multilateralism to optional bilateralism" (Ogita 2003: 221).

VI-3. The Japan-ASEAN Comprehensive Economic Partnership (JACEP)

The Japanese government had already concluded an FTA with Singapore (JSEPA) in January 2002, and is currently in negotiations with South Korea, Mexico, Thailand, Malaysia and the Philippines. It would seem that right now Japan is eager to tighten its bonds with the ASEAN countries. In January 2002, Japanese Prime Minister Junichiro Koizumi made it clear in his speech in Singapore that Japan was willing to conclude an FTA, namely the "Japan-ASEAN Comprehensive Economic Partnership (JACEP)," with ASEAN (Speech by Prime Minister Junichiro Koizumi, "Japan and ASEAN in East Asia: A Sincere and Open Partnership," January 14, 2002, Singapore). In addition, in October 2002, the Ministry of Foreign Affairs also announced a "Japan's FTA Strategy," which emphasized the importance of ASEAN as an FTA partner (Economic Bureau, Ministry of Foreign Affairs, "Japan's FTA Strategy," October 16, 2002, Tokyo).

It was not until China and ASEAN came to an agreement on a China-ASEAN FTA in November 2001, however, that the Japanese government changed its negative attitude toward a similar Japan-ASEAN FTA. In fact, when ASEAN members sounded out Japan's opinion in October 2000 about a joint study of a Japan-ASEAN FTA, Japan would not agree at all (Oba 2003: 176). China's approach to ASEAN acted as a trigger that softened Japan's attitude toward a Japan-ASEAN FTA. This was because Japanese policy makers were obviously having some misgivings about the expansion of China's influence in East Asia. They finally realized that Japan also had

to strengthen its economic ties with ASEAN. As a result, Prime Minister Koizumi hurriedly launched the above-mentioned JACEP in January 2002, only two months after the announcement of the China-ASEAN FTA.

The conclusion of a Japan-ASEAN FTA (JACEP) will still be far from easy for Japan. Although Japan did somehow succeed in concluding an FTA (JSEPA) with Singapore, this was primarily because Singapore was not an exporter of agricultural produce. Since most of the ASEAN countries are exporters of agricultural products, it will never be easy for Japan to conclude FTAs with them even though it is obvious that Japan will eventually be required to open its agricultural market. Japan started to negotiate for an FTA with Mexico early in 2000, but the negotiation has yet to reach an agreement because of the agricultural issues. Likewise, there is every possibility that reluctance to open Japan's agricultural market will become a fatal obstruction to Japan's FTA strategy, especially to the JACEP.

The Japanese government plans to conclude the JACEP with the original ASEAN members of Thailand, Singapore, Indonesia, Malaysia, the Philippines and Brunei by 2012, then with the newer ASEAN members, Cambodia, Laos, Myanmar and Vietnam, by 2015 (Yamazawa 2003a: 4). The reality is, however, that while on the one hand the Japanese government has recognized the multilateral approach of a JACEP as an ideal, on the other hand Japan is also ready to enter into bilateral agreements with the individual members of ASEAN. In fact, as of the beginning of 2004, Japan had started bilateral FTA negotiations with Thailand, the Philippines and Malaysia (*Nihon Keizai Shimbun*, January 24, 2004).

The outlook for these bilateral negotiations, however, seems bleak as Japan has had great difficulties in her agricultural market. In addition to this, even though many ASEAN countries are also demanding that Japan open up its labor market, Japan does not seem ready to allow full-scale immigration. Consequently, as G. John Ikenberry notes, Japan may find itself restricted in its FTA negotiations by its own domestic problems (Ikenberry 2000: 58).

At present, the Japanese government appears to remain steady in its preparations for the JACEP. In fact, Japan has attempted to dispel ASEAN's fears regarding the JACEP, by proposing, in January 2002, such ideas as the Initiative for Development of East Asia (IDEA) and the East Asian Community. In April 2002, an

informal gathering of economists and political scientists was organized by the cabinet for discussion of the JACEP (Oba 2003: 177). As has been noted, however, Japan still has difficulties regarding agriculture and immigration. Realization of the JACEP will not be easy despite the government's efforts.

VII. Conclusion

Japan has obviously helped to promote East Asian regionalism over Asia-Pacific regionalism since the late 1990s. Japan's biggest contribution was to provide financial support to resolve the Asian Monetary Crisis in 1997. The New Miyazawa Initiative marked a turning point in Japanese policy after which Japan began to play a more active role in East Asian regionalism.

According to Akihiko Tanaka, the emergence of East Asian regionalism was an accident (Tanaka 2003: 297). There is some truth to this since the "accident" of the Asian Monetary Crisis was almost indispensable to the realization of East Asian regionalism. There were other more remote causes as well, such as the expansion of trade between Japan and the East Asian countries, the failure of the EVSL in APEC and the rise of China, which also influenced Japan's policy-making.

The future of East Asian regionalism is still uncertain. One reason is that Japan, while an important actor in East Asian regionalism, has great difficulty in proceeding with FTA negotiations. Even though Japan was once a front runner in financial cooperation within East Asia, the present Japan seems slow-moving toward FTAs.

If Japan still wants to take the initiative in East Asian regionalism, however, the Japanese government should not hesitate to open Japan's domestic markets including the markets for agriculture and labor. A great part of the future regionalism in East Asia depends on Japan's decision.

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