

East Asian Regionalism: The Review of Original Idea of Asean+3 Concepts

Siau Jia Jia

Graduate Student

Graduate School for International Development and Cooperation

Hiroshima University,

1-5-1 Kagamiyama, Higashi Hiroshima, 739-8529 Japan

E-mail: jiajiasiau@hiroshima-u.ac.jp

Abstract

The interest in East Asian regionalism is growing among the regional elites and researchers but this is not a new idea as it arose from the 1997 financial crisis. In fact, the idea of East Asia regional grouping has been promoted by Malaysia Prime Minister Mahathir Mohamad in December 1990. The initial idea was to overcome the pressure from protectionism threats from the European Union and NAFTA. Nonetheless, Mahathir's brainchild of the East Asia Economic Caucus (EAEC) did not receive a pleasant response and it was being treated as an 'insane proposal'. The proposal received a negative feedback and remained suspect by the respondents. Mahathir restated that US could not be part of the EAEC as it cannot be a member of the European Community. His insistence on exclusive membership had given his fellow neighbours a hard time compromising on the issue.

Even though his idea was considered to have failed to persuade regional parties, it was a learning event before the creation of the Asean+3 Summit. The occurrence of the financial crisis showed the weakness of the regional communication and financial system in East Asia. As a result, elites agreed on the formation of the Asean+3 Summit. Since then it has become a regular consultation summit and has improved the regional cooperation issue.

1. Introduction

East Asian community is a long term goal to Asean+3 members especially to ASEAN which consists of ten members and majority of them are of developing countries. The regional building in East Asia involved a number of regional parties, thus it became more complicated to achieve when each party sets their own goals. Moreover, regional building is hard to achieve when it involves mistrust and high national priority. Neo-realism stated "when neo-realist thinking is pervasive amongst many states then regional cooperation is more difficult to achieve."¹ This supports the assumption that nation-states prefer relative gains compared to higher absolute gain.

ASEAN has enlarged its regional coverage by including Northeast Asian countries such as Japan, China and South Korea prior to the creation of Asean+3 in 1997 as dialogue partners to discuss regional issues. Asean+3 successfully agreed on a few regional development proposals such as the Chiang Mai Initiative Multilateralism in 2000 and bilateral Free Trade Agreement. The result of the study of the East Asian Study Group (EASG) reported in 2001 and the Tokyo Commemorative Summit both envision the East Asian community as a long-term goal for the region's growth. This has directed ASEAN to a long-term path and plays an important role in moving this region into the East Asian community in the future.²

The idea of regional grouping in East Asia had been promoted by Malaysia Prime Minister Mahathir Mohamad in December 1990. It is called the East Asia Economic Caucus (EAEC). This proposal was treated as an 'insane proposal' and received unpleasant feedback. My argument in this paper is about the changing perception and acceptability which could happen given by the timeline. In brief, it means a concept that initially seemed to be insane could be materialize in the future after such a need is found. My study method is to revisit and analyse the elite's perception towards EAEC in the 1990s. By selecting the study timeframe in the 1990's, we can see the difference in the level of willingness and attitude towards the regional cooperation issue.

In part two of this paper, I will start by briefing on the series of regionalism forums that are available in the East Asia region. Since my research is on EAEC and regionalism which I have studied from related books and papers to enhanced topic

understanding, therefore the literature review is written in part three of this paper. My paper is mainly focusing on the EAEC in the 1990s and it is discussed widely in part four of this paper. Basically, I highlighted the opinion which is mostly from the heads of various governments to discuss the regional grouping proposal. By studying their various viewpoints, we can analyse the level of toughness for compromising each party simultaneously. Next, the birth of the Asean+3 Summit is discussed in part five together with the negligence of Taiwan. The conclusion is given at the final part of the paper.

2. Series of Regionalism in East Asia

Diagram 1 shows the evolvement of regional cooperation in support of the goal of East Asian Community. The core was developed from the region of Southeast Asia, the birth of ASEAN in 1967 by Indonesia, Malaysia, Philippines, Singapore and Thailand. The first Asean+3 Summit was established in December 1997 and first East Asia Summit in December 2005 held in Kuala Lumpur. In the fifth Asean+3 Summit, members agreed on several goals recommended by East Asia Vision Group to create an East Asian community in the future. On the other hand, in the fourth East Asia Summit the Chairman's statement reaffirmed to play a part in support of the East Asian community building.

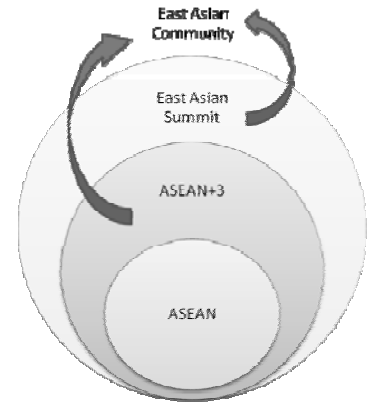


Diagram 1: *The Evolving of Regional Cooperation in East Asia Region*

EAS has rapidly developed as a strategic forum and important component of the evolving regional architecture and should play a complementary and mutually reinforcing role with other regional mechanisms, including the ASEAN dialogue process, the ASEAN Plus Three process, the ARF, and APEC in building an East Asian community.³

Nevertheless, the concept or the impetus of East Asian regionalism is caused by the 1997 Asian Financial crisis as awareness to elites concerning the vulnerability of this region. The idea of regionalism would not be accelerated if the financial crisis did not occur and hit Asia countries heavily. Katzenstein described the drastic financial crisis as a painful experience in East Asia.

In the face of sharp increases in dollar-denominated debt burdens, illiquidity and bankruptcy, all three governments (South Korea, Thailand and Indonesia) guaranteed the assets of creditors and defended national currencies until they used up virtually all of their reserves. This forced the IMF to put together three bail-out packages, for a total of \$120 billion.⁴

Regional cooperation in East Asia is not a new concept resulted from the financial crisis but it was first introduced by Mahathir in 1990 to enhance regional trade and economic co-operation. However, it is clear that the initial ideas are different. The East Asia Economic Caucus aimed to challenge protectionism while Asean+3 is a forum founded after the financial crisis for future financial cooperation.

Mahathir's idea of East Asia Economic Caucus in 1990 received a great objection from US and undesirable responses from Japan and other ASEAN members was expected. A strong hostility by US could be certainly understood and it has been widely discussed by many scholars. Some scholars explained that ASEAN members did not welcome the idea mainly due to the US existence as Asia's important trading partner.

The same case may apply to the East Asia regionalism proposed by Asean+3 through the East Asian Study Group (EASG) report. Elites have been emphasizing on the benefits for increasing the level of regional cooperation, but there are some doubts here. "Do we have the ability to reach the goal? Do we need to build a community? How could we achieve this regional community-building?" These doubts have not been explained clearly by the regional elites in the conferences.

Another important factor is the relationship among three influential parties, US, Japan and China in East Asia. In early 1990's, the EAEC proposal was undoubtedly a persistent request from Mahathir to demand Japan's support and involvement in the forum. But in this Asean+3 Summit, China has evolved as a dominant country to compete with Japan as regional leader in East Asia. The competition between China and Japan was visible during the contribution of Chiang Mai Initiative Multilateralisation. In order to be different from China, Japan provided additional funding of up to 60 billion dollars in May 2009. Japan and China seem to be racing against each other before US could respond and join the discussion.

Even though US was excluded, countries from Oceania and South Asia were included as members to participate in the East Asia Summit in 2005. The participation of Australia, New Zealand and India has become an argument between China,

Japan and ASEAN members. Member of the Asean+3 had different values and opinions to including the additional three members in the East Asia Summit. China preferred to maintain the existing member in Asean+3 Summit while Japan and Singapore were suggesting to include another three members to moderate China's influence.

Basically, the East Asian Community idea has received much positive attitudes from the Asean+3 Summit and the East Asia Summit discussion. Although, this is not a new idea, it changes the elite's opinion and revives the idea of regionalism which was introduced by Mahathir in 1990.

3. Literature Review

There are a number of books and journals that are related to East Asian regionalism and regional building. However, there are only a few studies on the East Asia Economic Caucus. Most of the previous and current studies covered the problem and the prospect of regionalism. Scholars agreed that the East Asia regionalism idea was initiated by Mahathir in 1990's. Deepak has focused on regionalism in the Asia Pacific/East Asia, based on the problems of regarding the realization of regional goals in the last two decades.⁵ By taking the existing example of East Asia players, he discussed the points of inclusive and exclusive membership issue.

Dr Noordin Sopiee was an editor in Malaysian newspaper 'New Straits Times' and highly posted in the Institute of Strategic and International Studies Malaysia. He was one of the followers on the issue of EAEC in the 1990's. He was interviewed by the scholar Yow in the thesis, Singapore and the East Asia Economic Caucus.⁶ Yow conducted a private interview which gave him an exclusive data on the study of Singapore's stance about EAEC and the development direction. The regionalism is highly related to the overall development. It is an interdependent project and could be explained through macroeconomic study. The macroeconomic measure by Lim using 1992 data justified the relationship in terms of inter-regional trade share, export dependence levels and world trade shares of EAEC countries.⁷

Christopher M. Dent wrote a book regarding International Political Economy (IPE) analysis titled 'East Asian Regionalism'. Dent explained the theory of IPE and the concepts of regionalism study in this book. He has mentioned that, "all other actors are essentially subordinate to its power and interest" while 'neo-realists accept that inter-state coalitions (e.g. ASEAN) can arise, they further argue that these only serve to realize various national interests."⁸ In realist theory, "neo-realists would argue that China and Japan's promotion of East Asian regionalism derives from competing interests in leading a future East Asian regional group, such as ASEAN Plus Three."⁹ While from the perspective of structuralist it is based on the dependency theory that explained the core-periphery divide between developed and under-developed countries is sustained by subservient economic relationships.¹⁰

It is agreed by many scholars that ASEAN is the driver to the future East Asian Community. ASEAN holds the leading role to motivate the regional building therefore it should be alert by some of the conditions highlighted by Yeo in the article of Japan, ASEAN and the Construction of an East Asian Community.¹¹ This included strengthening mutual interdependence, balance of interest, accumulation of bilateral and multilateral arrangements, to be guided by global norms and keep the process open and inclusive. The balance of interest in all kinds of regional co-operation is essential to build trust among them. It is extremely important in regional building especially looking at the structure of Asean+3 members come from different religious background and having several kinds of historical disputes. Once the balance of interest is not secured by the members, the vision of East Asian Community would vanish.

Chapter three in the book of 'Advancing East Asian Regionalism' with the title of the Development of the ASEAN+3 framework was written by Akihiko Tanaka.¹² In this chapter Tanaka wrote the making of ASEAN+3 from the creation of multilateralism organizations, Southeast Asian Treaty Organization (SEATO) and the Asian and Pacific Council (ASPAC). Tanaka focused on the regional elite role in transferring ASEAN+1 Summit to ASEAN+3 Summit and subsequently the birth of East Asian Vision Group (EAVG)'s proposal in the agenda of Asean+3. Besides, Tanaka marked the impotency of ASEAN+3 members to act seriously in carry out the vision of EAVG proposal. This has indirectly supported my view that regional elites could be a barrier if national interest was in first priority. Conversely, regional elite could advance regional building if regional interest is being taken seriously.

The development of closer regional relationship between Northeast Asian countries and ASEAN is part of the regional study components. The relationship between East Asian countries has been strengthening during the Asian Financial crisis.

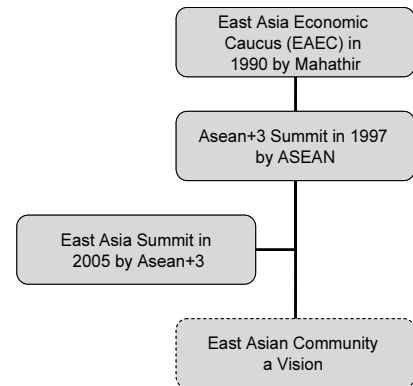


Diagram 2: *The Background of East Asia Regionalism towards East Asian Community.*

However, the free trade agreements slow down between Japan, Korea and ASEAN. Kevin G. Cai has focused in the study of The ASEAN-China Free Trade Agreement and East Asian Regional Grouping to understand the regional building obstacles and feasibility of ASEAN-China FTA. In the study he proved again the free trade is lagging behind because of sensitivity in the agricultural sector hence they prefer to deal with agricultural free country like Singapore. On the other side China appeared to be more aggressive to concluding ASEAN-China FTA in 2010. China adopted the policies of active participation, broadening consensus, increasing mutual trust, and strengthening cooperation in his deals with ASEAN countries.¹³ Again China has emphasized on the need to increase the mutual trust to ensure a peaceful regional building in East Asia.

4. The Struggle to Create EAEC in 1990's

The East Asian Economic Caucus (EAEC) was introduced by Mahathir Mohamad the Malaysian Prime Minister in 1990. It was initially proposed to Li Peng, the Chinese Premier during his visit to Kuala Lumpur in December 1990. In this meeting, Mahathir stressed that China plays a crucial role to establish the bloc to protect Asia Pacific from world 'fair trade'.¹⁴ The preliminary member in EAEC suggested encompassing the six ASEAN members, China, Japan, South Korea, Taiwan, Hong Kong and the Indochina countries. The proposed name East Asia Economic Grouping (EAEG) was renamed to East Asia Economic Caucus (EAEC) in response to some of the arguments regarding the word 'Grouping' that is regarded as a trading bloc.

The precise objective of this proposal was not clearly identified and explained by Mahathir in his early proposal. Nevertheless, he emphasized that EAEC was intended to be a forum for the East Asian nations to gather and discuss the economic issues. In Mahathir's speech on the EAEC proposal in Bali he stated, "In the first place, let me emphasize that the Group is not intended to be a trade bloc."¹⁵ In order to assure its Western counterparty, again he stressed, "An East Asian economic community or an East Asian exclusive free trading zone is very far from our minds."¹⁶ This is totally contradicted in his speech during Li Peng's visiting tour in Malaysia.

The proposal apparently did not receive any positive response from the East Asia region internally and externally. In the region, the members of ASEAN did not express their interest in his idea; Japan remained hesitant under the pressure of US, while China expressed cautiousness at the beginning. Subsequently, China revised its view and stated its support, expecting a further development. On the other side of the region we could see that US expressed its unhappiness towards Mahathir's idea because US was excluded. The pattern of US foreign policy has changed after the Cold War. As mentioned in Mark Beeson's paper, "The ending of the Cold War has freed the US from any overarching geopolitical constraints and made it less tolerant of alternative modes of political and economic organization and more willing to directly intervene in order to change them."¹⁷ Any organizations which are of US interests should not exclude the US.

The EAEC did not receive much attention from the ASEAN members during the 4th ASEAN Summit Singapore in 1992. In fact, the EAEC issue is in the summit list, but it was not a key agenda during the Summit. Referring to the Singapore Declaration of 1992, in the field of economic cooperation, the EAEC discussion appeared at the following reference.

With regard to APEC, ASEAN attaches importance to APEC's fundamental objective of sustaining the growth and dynamism of the Asia-Pacific region. With respect to an EAEC, ASEAN recognizes that consultations on issues of common concern among East Asian economies, as and when the need arises, could contribute to expanding cooperation among the region's economies.¹⁸

EAEC proposal did not receive popularity and earnest discussion in the Summit but Mahathir recognized it and the Malaysian newspaper had the headline, 'EAEC a Reality in 5 Years: PM'.¹⁹

4.1 ASEAN's Point

Mahathir had described grouping as a bloc to counter what he called growing protectionist pressures arising from the creation of a single European market and the formation of NAFTA grouping the US, Canada and Mexico.²⁰ The growing protectionism around the world has aspired and enhanced the feeling of establishing its own region consolidation. East Asia region has been found itself standing behind in the world of globalization because the activity of protectionism is active around trade sector.

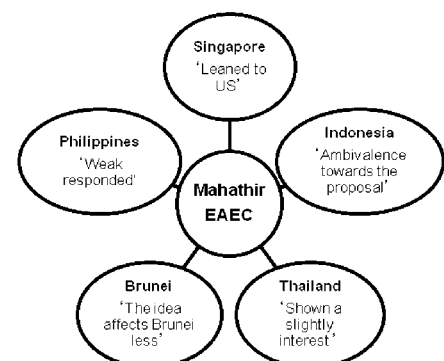


Diagram 3: The Stance of ASEAN members regarding EAEC

The purpose of EAEC explained by Mahathir was not clear and it changed accordingly to the pressure received from East Asia members and US. Mahathir has never changed his mind to exclude US from the grouping despite the fact that many East Asia countries were facing difficulties. He stated that it is Japan's right not to join EAEC but East Asian region could not accept US because it is not part of East Asia. However, Malaysian International Trade and Industry Minister reiterated EAEC would not be an economic bloc shutting out non-Asian nations and it has no membership status.²¹

In the early phase of EAEC, February 1991, Singapore's Minister of State for Trade and Industry, Mr Mah Bow Tan, had expressed Singapore's unwillingness to join a trade bloc, EAEC proposed by Malaysia. In May 1991, Singapore Prime Minister Goh Chok Tong stated his conditions to support Mahathir's proposal and the three points are:

- That the EAEC will be consistent with the principles of the General Agreement on Tariffs and Trade (GATT);
- That it will not diminish the importance of ASEAN; and
- That it will not disrupt the Asia Pacific Economic Cooperation (APEC) process.²²

Singapore's position was not to damage its relationship in relation to its international trade benefits with its counterparties. Singapore has stated the importance to grow at the same pace with the GATT and APEC while continuing connected to the ASEAN role. GATT was created in 1947 with the aim to reduce barriers in international trade and the Uruguay Round took place in 1986 to enhance its effectiveness in trade issues such as in the agricultural field. APEC was founded in 1989 by Australian Prime Minister, Mr Bob Hawke with the purpose of facilitating economic growth, trade and investment in the Asia-Pacific region.

Besides Goh's opinion, Senior Minister Lee Kuan Yew advised East Asian countries to work with the US, Canada and other APEC members to create a free trade area rather than form a regional bloc. In addition, Lee suggested that "The long-term aim should be a free trade arrangement between APEC members. In other words, convert NAFTA in stages into PAFTA, the Pacific Asia Free Trade Area."²³

It is obvious that the most important point to Singapore, which had been clearly spelled out by Lee, is to aim for free-trade area. It does not matter who the counterparty was, the key is Singapore could increase the trade and the growth. Lee has the ambition that Asia Pacific could join NAFTA to expand its free trade area and become a prosperous region as PAFTA.

Besides, the view that Western power played an important role in the field of economic and trade, US military involvement in Asia was essential too. Back to 1970's when the Communist were dominant in Indochina, Lee was against the withdrawal of US forces in Thailand. The continuing issues such as the uncertainty of Taiwan Straits, dispute islands and North Korea nuclear threats are the reasons for US military engagement in East Asia. Dr. Obaid Ul Haq, a former academic from the National University of Singapore had given his view on Lee's politic belief during President Bush's visit to Singapore in 1992. In his view, Lee regarded the US as a benign power for three reasons and there are:

- The US was sincere in maintaining regional stability;
- America, being on the other side of the globe, had no territorial ambitions on the region and could regard it with a sense of detachment;
- America's democratic and humane values made it a more trustworthy country.²⁴

In early 1990, Singapore offered its land and suggested US to transfer over its naval logistic when Philippine considered closing the US Naval Base at Subic Bay.²⁵ From the above few points, we can see that Singapore's position is to advance its economic relationship with US, while on the other hand consciously trying to play its part as ASEAN member.

In the case of Indonesia's stance, it seems Indonesia felt ambivalent about the proposal of EAEC that excluded US as a member. The main concern to this uncertainty is the huge number of trades that Indonesia is dependent on US to boost its economy. Indonesia has frankly admitted its dilemma due to the huge trade transactions with US in the conversation with Mahathir during the fourth ASEAN Summit in Singapore. Indonesia is not in a position to offend US because Indonesia posted a 1.4 billion dollar trade surplus with the United States in 1990.²⁶ Thus, going against US does not bring any benefits to Indonesia considering its trade condition.

In the early phase of this proposal, it is fair to say that Indonesia was annoyed by Malaysia's announcement on the EAEC idea without an earlier discussion with its ASEAN members. Especially, when Indonesia is said to be the region's 'Big Brother', it seems to have a lack of respect by Malaysia from the political point of view. By comparing the approach used by Mahathir to propose EAEC and Australia's idea of APEC, we can see Australia took a calculated strategy. Barry Wain mentioned an important strategic approach by Australia to promote APEC in the initial phase.

Crucially, Canberra dispatched one of its most seasoned diplomats, Richard Woolcott, as the prime minister's emissary to sell the concept in the ASEAN country. Having served in the key ASEAN capitals, Woolcott headed first for Jakarta, where he respectfully sought "advice and guidance" from President Suharto, acknowledged as ASEAN's unofficial leader.

The reward for this “proper show of respect” was an expression of Suharto’s willingness to think about the idea.²⁷

Although Indonesia endorsed the EAEC concept later in few discussions, it still remains neutral in this issue. Indonesia emphasized on its stance that no trade bloc is expected and advised ASEAN to ‘seek the utmost’ from the Asia-Pacific Economic Cooperation forum.²⁸

Throughout the campaign of EAEC, Indonesia attempted to improve the EAEC framework, for example the changing of name from EAEG to EAEC in order to defuse some misconception arguments. Indonesia had the idea that EAEC should be part of APEC forum, in contrast from Mahathir’s idea. Even though ASEAN agreed on the objectives and principles of EAEC, the execution is far from being certain. Part of the reason could be “differences between Mahathir and Suharto have largely accounted for the slow progress made by the EAEC. Suharto believed the idea was too confrontational by excluding the United States.”²⁹

Despite the existing disagreement, ASEAN members came out with three options to facilitate EAEC and there are:

- EAEC to be included in the meeting between foreign ministers of ASEAN and its major trading partners;
- EAEC to function under the umbrella of APEC;
- To tie EAEC to the annual ASEAN economic ministers meeting as a forum on trade and economic policies affecting East Asia.

At the end of the 26th ASEAN Ministerial Meeting in Singapore, Foreign Minister Wong Kan Seng announced,

We have agreed that the ASEAN Economic Ministers Meeting (AEM) will be the appropriate body to provide support and direction for the EAEC. As members of the EAEC are also members of APEC, we agreed that EAEC should be a caucus within APEC. This effectively means that ASEAN has at last reached a consensus on EAEC.³⁰

Although there was a better conclusion in AEM by ASEAN members, it remained the object of suspicion and worry in the eyes of western countries and Japan. EAEC did not progress dynamically in both ASEAN and APEC forums.

Thailand has been interested in advancing its trade and investment area as proven by the successful automotive industry that took off in the early 1960s. In addition, the idea of ASEAN Free Trade Area was initiated by Thailand in the fourth ASEAN Summit in 1992 together with Indonesia’s idea to build a Common Effective Preferential Tariff (CEPT).³¹

Regarding the EAEC proposal, Thailand highlighted on the need to strengthen the GATT system and being consistent with the open trading system in order to receive its support. Besides, Thailand Prime Minister Anand Panayarachun expressed his view that, “I hope coordination in investment activities will be possible among ASEAN countries as it will also enable us to operate as an economic grouping, not an exclusive one but which relies on self reliance interdependence and coordinated policies.”³²

Thailand Prime Minister Anand Panayarachun has emphasized the need for ASEAN countries to cooperate and coordinate as a group with the aim of attracting foreign investment to this region. Following that, Mahathir explained that EAEC is a consultative forum for East Asian countries and served as a way to open trade in the region. As a result, it attracted much positive attention from Thailand. This is a little contrast with the early news reported by the Bangkok Post before the meeting between Anand and Mahathir in Kuala Lumpur. In the news it claimed that, “Malaysia is unlikely to win Thai backing for its regional economic pact initiative and prefers to wait for the conclusion of international trade talks and ask for a strengthening of intra-ASEAN cooperating before proceeding with any new grouping.”³³ Although Thailand had slightly changed its view on EAEC, it requested the need to further study the proposal in detail and it made clearly that Malaysia was responsible to enlighten ASEAN members and other countries.

Philippines gave a positives stance provided the EAEC caused no overlapping with APEC’s presence. At the same time, Philippines proposed the ASEAN economic treaty to strengthen trade cooperation between ASEAN countries and other countries.³⁴ Philippines expressed the difficulty to reach a consensus between ASEAN members regarding the EAEC issue before the beginning of ASEAN Summit 1992. Philippines Foreign Minister Raul Manglapus commented “It was agreed that there was a need for further study because consensus was that the EAEC is obviously not just an economic document. It has political implications.”³⁵

4.2 Ambiguous Result of EAEC

Mahathir proposed EAEC initially to China in December 1990 before any other of his ASEAN members or Japan. China responded rather cautiously, saying that it was impossible to determine the types and modality of cooperation because East Asian countries differed greatly in terms of economic systems as well as their stages of economic development.³⁶

Japan received the first EAEC explanation by Mahathir during Japanese Prime Minister Tokishi Kaifu's nine-day visit tour to ASEAN countries in April 1991. Japan responded carefully to this idea and remained in a neutral position until further understanding was made. Japan behaved in deference to the US-Japan relationship that has been built before the cold war. Edward J. Lincoln explained that 'although the Japanese government frequently tests the boundaries of tolerable behaviour on issues ranging from trade protectionism to East Asian regionalism, the predominance of the US-Japan relationship remains a core reality for Japanese policymakers.'³⁷ In the case of Korea, it also never expressed any stance due to lack of understanding about the EAEC purpose. In spite of this, Korean Foreign Minister Lee Sang Ock said "if it is a trade bloc, we will say no. We are for free trade with all nations."³⁸

A few months later, Japan expressed that Japan would not participate in EAEC. Japanese Foreign Minister Michio Watanabe commented "APEC forum is a conference which includes even the United States, so it is worthwhile, but for my part, I can't go along with thinking which excludes a particular country."³⁹ US was cautious about the potential of EAEC becoming a bloc to encounter US's influence in the East Asia region. James mentioned that "he does not wish to see the formation of a regional sub-group 'that draws a line down the Pacific.'⁴⁰

Mahathir insisted on rejecting US participation because he said US is not part of East Asia. Another reason for his persistence on excluding US from EAEC might be due to his anti-Western personality. Barry Wain mentioned about Mahathir that "His anti-West diatribes... were grounded in domestic politics, aimed at enhancing his own nationalist standing and attempting to strengthen... the Malaysian psyche and national identity."⁴¹ The derived EAEC idea seemed to be more than an attempt to build regional trade forum among East Asian countries.

The US has used its power to influence Japan and South Korea to decline the invitation of Mahathir's proposal ever since it was proposed in 1990. The EAEC proposal has been derived from the decisions of Europe to form its own trade union and the US making a single economic grouping. Mahathir's anti-West personality is well-known among the leaders and scholars. He has been strongly against the western style of unfair treatment and has voiced his resentment by the 'Buy British Last' campaign in 1981.⁴²

The relationship between US and Malaysia had once again turned into a hostile situation because of the memorandum from US to Japan. However, Mahathir never gave up in promoting his brainchild EAEC proposal to his ASEAN members and Northeast Asian countries after receiving strong objection from US. In the situation of Mahathir's persistence and US's objection, Japan declared its position to 'wait-and-see' for the discussion result from the upcoming ASEAN Summit in Singapore. However, Japan made a clear stance regarding this issue that, it opposed any exclusive regional grouping.

US attitudes towards EAEC softened after President Bill Clinton took the office in 1993. President Clinton also adopted a 'wait-and-see' approach before receiving any result from the ASEAN decision on EAEC framework.⁴³ However, Henry Kissinger who was in favor of liberalization of trade has expressed his opinion over the topic, "if somebody wants to create an East Asian Economic grouping. Personally, I will not lose sleep over the subject."⁴⁴ He explained US fears the EAEC could turn into a protectionist that restrict US trading activity in East Asia. Hence, US stance was to remain resistant to the idea and to keep an eye on any possible movements in Asia.

Japan has remained lukewarm about the EAEC proposal ever since it was proposed. Japan economy was still much dependent on US. In 1990, more than 60 percent of Japan's export crossed to the United States and Canada while only 11.5 percent reached the ASEAN region.⁴⁵ Obviously, Japanese benefits depend on its good relationship with US in order to protect the national interest. However, we heard something different from Deputy Prime Minister of Japan Kiichi Miyazawa by saying that Japan should take the lead in forming an "Asian economic bloc linking the six-nation ASEAN with Japan and South Korea."⁴⁶

In spite of this, China was positive on the EAEC issue unlike US and Japan. China had formally announced its support to EAEC and welcomed the region's economic cooperation. This announcement was made by Li Peng in Beijing during Mahathir's visit in June 1993.⁴⁷ However soon after, China stated its objection to invite Taiwan in the EAEC proposal as a condition to remain supportive. Straits dispute between China and Taiwan remained a quest for regional economic cooperation and "contributes to a feeling in Southeast Asia that the organization may be more troublesome than it's worth."⁴⁸

Other ASEAN members got worried over the disagreement between Indonesia and Malaysia on the EAEC proposal. The argument arose as both leaders had different opinion about the EAEC placement. Indonesia would prefer to place EAEC under the umbrella of APEC forum while Malaysia would like to link EAEC in ASEAN economic ministers meeting.⁴⁹ However, ASEAN members managed to overcome the disagreement and agreed to include both in the plan. Even though a basic idea and plan had been concluded in the 26th ASEAN Ministerial Meeting, a practical execution of EAEC proposal by ASEAN had not been observed yet.

5. Moving towards Asean+3

The Asean+3 Summit is considered a successful regional forum created by ASEAN members in 1997. Many scholars have granted the thriving of East Asian Summit in 2005 by Asean+3 to ASEAN but there are some elites that we should mention for their contribution to this framework.

Japanese Prime Minister Ryutaro Hashimoto had made the initiative to improve its relationship with ASEAN countries and announced to hold a summit meeting with ASEAN on a regular basis.⁵⁰ Hashimoto suggested such a proposal during his trip to Southeast Asia countries in early 1997. Hashimoto has expressed the trip objective by saying “the Asia-Pacific region has become a historic, religious and ethnic melting pot and I would like my trip to deepen the connecting links that overcome the wall (of diversity).”⁵¹ Hashimoto’s proposal was later on treated by ASEAN as the beginning of Asean+1 Summit between Japan, China and South Korea and Asean+3 Summit in 1997.⁵²

Previously, Japan was reluctant to join a similar grouping framework by European Union (EU) and ASEAN, Asia-Europe Meeting (ASEM) in 1996. The idea of ASEM arrived from Singapore Prime Minister Goh Chok Tong in 1994. The members consist of the similar regional grouping that was suggested by Mahathir’s EAEC proposal. Thus, Japan was hesitated to join ASEM Summit out of concern of the US presence.⁵³

Nevertheless, once again we have to mention Mahathir’s idea as he stressed that EAEC was a forum at the level of heads of governments to solve and discuss the economic and trading problems.⁵⁴ His regional grouping idea and the awareness of the needs to form a regional forum, have credited to the formation of the Asean+3 framework. Besides, he said Hashimoto’s proposal provided a very good pretext to make a counter-offer towards realizing a virtual form of the EAEC Summit.⁵⁵ It seems that the Hashimoto’s regional concept has moved towards Mahathir desirable direction.

Additionally, a major event of Asian Financial Crisis in 1997 is a wake-up call to the ASEAN members and Northeast Asia countries of their financial markets and government systems weaknesses. With the objective to improve the regional financial system, to gain investors confidence and to prevent future financial crisis, regional elites agreed to establish a surveillance mechanism in East Asia. In May 2000, Asean+3 members had agreed to establish Chiang Mai Initiative as a network of bilateral swap agreements among the members during financial difficulties period.⁵⁶ Thus, Chiang Mai Initiative marked the first concrete financial cooperation initiative arising from Asean+3 to show the members earnest efforts to cooperate.

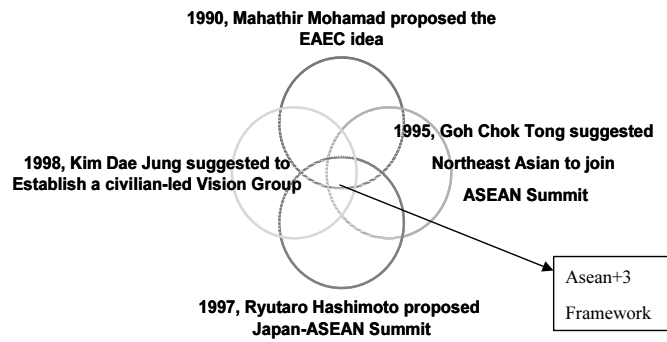
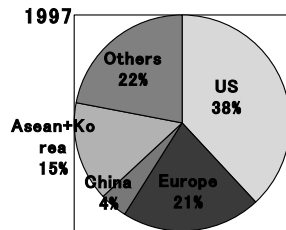
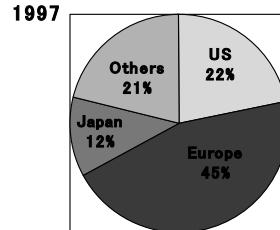


Diagram 4: The Relation of Asean+3 Framework

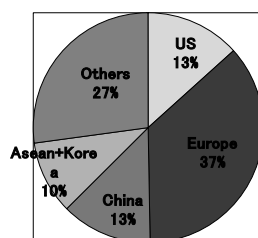
Japan Outward Direct Investment



Japan Inward Direct Investment



Japan Outward Direct Investment 2004



Japan Inward Direct Investment 2004

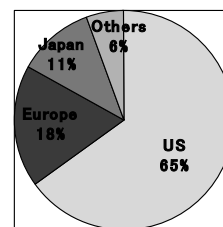


Chart 1: Japan Outward and Inward Direct Investment in 1997 and 2004.

(Source: Calculated from the Foreign Direct Investment Trade Data, The Minister of Finance, Japan)

Besides, it is necessary to maintain or improve the diplomacy between China, Japan and US as they are much dependent on each other. By referring to the data in Chart 1, US continuing role in Japan is undeniable either in the past or now. The foreign fund received from US has increased tremendously compared between 1997 and 2004 as shown by Japan's inward investment records. Completely denying the presence and excluding US from the region is insensible and not beneficial in the case of Japan. While Japan on the other hand improved its relationship with China and we can see Japan's outward investment to China increased from 4% to 13% respectively. We can simply conclude that the economy relationship between these three countries is unbreakable according to the direct investment data. Thus, the attempt to exclude one party in the regional grouping issue seems to give undesirable consequences.

5.1 Where is Taiwan?

The shadow and voice of Taiwan could be hardly heard in this attractive regional grouping issue. Geographically, Taiwan is located in the East Asia but its existence has been ignored. In the early stage of Mahathir proposal EAEC included Taiwan as part of the grouping member but throughout the process it was off the track. Thereafter Taiwan is absent from the forums like ASEAN Regional Forum, ASEM and East Asia Summit.

In the beginning of ASEM first meeting preparation in 1995, Taiwan expressed its interest to become a member, and based on the meeting sources, Hong Kong, Taiwan, Australia, New Zealand and India have indicated that they want to be the part of the inaugural meeting.⁵⁷ In 1999, when Japan was looking for a grouping partner to form a trade forum, Taiwan was considered as Japan's proposal to be a partner⁵⁸ but China was not. This was after the fallout occurred in APEC's program on trade liberalization in 1997. Japan refused to accept the inclusion of fish and forestry products in the early voluntary sectoral liberalization (EVSL) agreement.

In the case of ASEM, Taiwan's participation issue was in a difficult situation in order for them to be accepted as a member. Taiwan has even sought the help from UK to support its attendance in the first ASEM Summit in 1996.⁵⁹ Unfortunately, Taiwan was still not invited to attend the summit and China insisted new participants should be sovereign nations.⁶⁰

China, Hong Kong and Taiwan joined the APEC in 1991. However, China publicly opposed the participation of Taiwan to attend APEC Summit and stated "Taiwan and Hong Kong have been admitted to the organization as regional economies. Although they are members of APEC, they are not sovereign states and therefore we believe they have no right to attend the APEC summit, be it officially or unofficially."⁶¹

Likewise in the process for frame working EAEC in 1993, China has directly stated her condition to keep its support to EAEC provided that Taiwan is not in the member list. Apparently, Secretary General of ASEAN, Datuk Ajit Singh was planning to bring the EAEC proposal to Hong Kong and Taiwan for discussion. This was a decision made after the ASEAN meeting concluded to invite Japan, Korea, China, Taiwan and Hong Kong to be founding members of EAEC.⁶² According to news, Taiwan Vice President Lien Chan visited Malaysia on a private trip and part of the agenda was to discuss with Mahathir about Taiwan's participation in EAEC issue.⁶³

China became Taiwan's main issue that opposed Taiwan's participation in regional cooperation forum which prevented Taiwan from having the advantage of trade incentive. Experienced elite, Lee Kuan Yew has observed that "Beijing uses its economic and political clout to counteract what it sees as against its interests."⁶⁴ This comment was based on Singapore's experience when China suspended its relationship with Singapore after the Ex-Deputy Prime Minister of Singapore, Lee Hsien Loong visited Taiwan in 2004.

In recent years, the cross-strait ties became a peaceful environment after President Ma Ying Jeou took the office from Taiwan Democratic Progressive Party. The drastic change in the China's attitude could be seen as China changes its reunification approach from military force to economy alliance. China has been taking advantage to tighten the grip it has on the economic market and concluded Economic Co-operation Framework Agreement with Taiwan in June 2010.⁶⁵ The improvement on the relationship has given Taiwan an advantage to conclude other potential FTAs and prospective regionalism issues.

As we can see, an improved relationship between China and Taiwan has given their immediate neighbours the chance to get their breath back after a potential straits war. Taiwan is receiving much benefits from China's relax approach on the reunification issue. But this yield was implied as a 'clear and present danger'⁶⁶ by a Taiwan defense-ministry officer. The goodwill shows by China economically does not ease the danger of its military force at the Taiwan Straits.

6. Conclusion

Time has proved that an idea that was unpopular in the past could arise positively in the future. A young developing area like East Asia should give itself more time to find the values and standards to fix the phenomenon. Although Mahathir's idea and the Asean+3 are similar in terms of regional grouping, they serve different purposes. The similarity of both is they could not deny the existence of US in the East Asia region. Being an exclusive grouping will not benefit the members especially in the current trade condition of China and Japan. US market remains crucial to China as the export is growing consistently and US direct investment fund to Japan has increased more than 50% of the total inward investment in 2004.

The failure of EAEC could have resulted from the anxiety and negative perception to western countries by Mahathir. A calculated strategy is important, just like what Richard Woolcott did to promote the APEC concept in ASEAN, by reading the region and making a best strategy measurement. Mahathir failed in this strategy making and his idea ended with unfavourable results. The occurrence of financial crisis might not be a dreadful turn of events, but it is a turning point for the East Asian region. The financial crisis has succeeded in the making of the Asean+3 Summit and bringing a closer relationship between East Asia members. The lesson to be learnt from this is the levels of connectivity and integration need to be strengthened in order to further improve regional development.

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