THE EVOLUTION OF APEC AND ASEM:

IMPLICATIONS OF THE NEW EAST ASIAN BILATERALISM

Vinod K. Aggarwal and Min Gyo Koo

Berkeley APEC Study Center (BASC)
802 Barrows Hall #1970
University of California
Berkeley, CA 94720-1970

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Abstract: At the turn of the new millennium, the traditional institutional equilibrium in East Asia—the embrace of the WTO at the multilateral level and a focus on market-driven, informal integration at the submultilateral level—is under heavy strain. A growing number of East Asian countries are pursuing greater institutionalization at the sub-multilateral level, actively weaving a web of preferential arrangements. This article examines the likely path of trading arrangements in Northeast Asia, and explores its implications for East Asia and the future of APEC and ASEM. In an effort to understand the diversity of accords, we propose an institutional bargaining game approach, which focuses on goods, countries' individual bargaining situations, and the fit with existing arrangements. The institutional bargaining approach allows us to explore how trading arrangements have evolved in East Asia. As our scenario analysis indicates, an East Asian trading bloc has both benign and pernicious elements, depending on the ideas and beliefs held by regional actors. The possible contribution of a prospective East Asian bloc to APEC and ASEM primarily depends on the *balance of interests* between the U.S. and the E.U. concerning East Asia. In view of the tremendous political and economic uncertainty in the global economy, the path to freer trade in Northeast Asia, East Asia, and the world system is likely to be a bumpy one.

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I. INTRODUCTION

East Asian countries have proven to be loyal supporters of the post-war multilateral trading regimes of the General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO), despite their early reluctance to do so. The inclusion of East Asian countries culminated in the accession of China, which became a member of WTO in December 2001 after fifteen years of prolonged negotiations, followed by Taiwan, which secured membership in January 2002.

At the same time, East Asia's economic integration at the regional level has lacked significant formal institutionalization. Even ASEAN, arguably the most successful of regional groupings in East Asia, has eschewed full commitment to the elimination of tariffs and other trade barriers. Another institutional experiment, the Asia-Pacific Economic Cooperation (APEC), created in 1989, remains a consultative forum for trade and investment liberalization—rather than a body that has led to significant liberalization. And the European counterpart to APEC, Asia Europe Meeting (ASEM) has remained highly under-institutionalized as indicated by its name and has only been in existence since 1996 (Higgott 1995; Katzenstein 1997; Aggarwal and Morrison 1998; Ravenhill 2002a; Stokhof and van der Velde 1999; Gilson 2004, Hänggi, Roloff, and Rüland 2005).

Despite its institutional weakness in a formal sense, East Asia's economic integration, often characterized by its market-driven and informal nature, has been impressive in a practical sense, as indicated by soaring intra-regional trade and investment flows. Throughout the 1980s and 1990s, the network of Japanese multinationals and overseas Chinese played a critical role in forming virtual East Asian

economic integration. For many observers of East Asian regionalism, this informal, network-style integration was seen as a viable substitute for formal institutionalization of regional economic affairs (Katzenstein 1997).

Currently, the traditional institutional equilibrium of East Asian economic integration—the embrace of the WTO at the multilateral level and a focus on market-driven, informal integration at the regional level is under heavy strain. As an alternative, a growing number of East Asian countries have begun the pursuit of greater institutionalization at the sub-multilateral level, actively weaving a web of preferential arrangements with countries both within and outside the region, departing from their traditional commitment to the WTO.

We have seen many countries' commitment to a broad-based, multilateral trade regime eroding steadily. Although the July 2004 Geneva meetings restarted the Doha Round of WTO negotiations, the debacle in Seattle in 1999 and the failed 2003 ministerial meeting in Cancun still cast their shadow over the multilateral global negotiations. At the transregional level, APEC as a formal mechanism to facilitate economic integration has not advanced, and the U.S. has increasingly used this forum to discuss security, rather than economic, issues. For its part, ASEM appears to be similarly paralyzed, with wide-ranging discussion of security and economic security that has little binding effect on states. With respect to informal market integration, the unprecedented economic shocks at the end of 1990s have shown that the seemingly dense networks of Japanese and overseas Chinese business are quite vulnerable.

This article examines the origins of bilateral preferential trade arrangements (PTAs) in East Asia and explores whether these PTAs can give new life to APEC and

ASEM—or will simply undermine them further. Section II begins by categorizing the varieties of trade governance measures according to the number of participants and the degree to which individual arrangements are geographically concentrated or dispersed. Building upon this more fine-tuned typology, we offer an institutional bargaining game approach to more adequately analyze the process by which various types of trading arrangements have been developed. In Section III, we briefly analyze the current institutional status of APEC and ASEM. Then, we apply our institutional bargaining game approach to the evolution of East Asia's new appetite for bilateralism, focusing on the Northeast Asian Three (China, Japan, and South Korea), which have yet to become a cohesive group despite calls for such development. Based on our institutional bargaining game factors, Section IV then explores the principal paths that might lead to a trilateral PTA among China, Japan, and South Korea. This analysis allows us to investigate how minilateral regionalism in Northeast Asia might facilitate the formation of East Asian community and demonstrate the conditions under which we might expect reinvigoration of the stalled transregional and hybrid interregional fora of APEC and ASEM, respectively. In Section V, we draw conclusions and implications for global trading regime.

II. THEORIZING ABOUT THE MODES OF TRADE GOVERNANCE

Two important steps are needed to understand the evolution of trade arrangements. We must first adequately classify them, and then we must understand the driving forces behind their origins, evolution, and impact.

Varieties of Trade Governance

East Asian countries, like others elsewhere, have utilized a host of measures to regulate trade flows. Yet many analysts have conflated different type of arrangements and used them synonymously. For example, the term "regional agreement" has been used to refer to widely disparate accords such as APEC, ASEM, North American Free Trade Agreement (NAFTA), bilateral free trade agreements (FTAs) both in and outside a region, and even sectoral agreements such as the Information Technology Agreement (ITA).[1] This conceptual ambiguity and under-differentiation of the dependent variable makes it more difficult to analyze specific outcomes, and impairs our theoretical analysis of trading arrangements.

To remedy this problem, we classify trade arrangements on five dimensions. First, we examine whether states act unilaterally, or engage in bilateral, minilateral or multilateral agreements. Second, we consider product coverage, with a range from narrow (a few products) to broad (multi-product) in scope. Third, geographical scope differentiates between arrangements that are concentrated geographically and those that bind states across great distances. A fourth dimension addresses whether the nature of these measures have been either market opening (liberalizing) or market closing (protectionist). Fifth, one can also look at the degree of institutionalization or strength of agreements. Table 1 develops a typology of trade agreements that examines arrangements by East Asian countries, focusing on the number of participants and geographic coverage for presentation purposes.[2]

Table 1. Varieties of Trade Governance Measures in East Asia*

	NUMBER OF ACTORS					
	Unilateral	**Bilateral**		**Minilateral**		**Multilateral**
		Geographically concentrated	*Geographically dispersed*	*Geographically concentrated*	*Geographically dispersed*	
TRADE LIBERALIZATION MEASURES	(1) Various trade liberalization measures taken by Singapore and Hong Kong APEC's IAPs	(2) Japan-South Korea FTA (under negotiation) China-South Korea FTA (under study)	(3) Singapore-New Zealand CEP (2000) Japan-Singapore EPA (2002) Korea-Chile FTA (2002) U.S.-Singapore FTA (2003) Taiwan-Panama (2003) Japan-Mexico (2004) South Korea-Singapore (2004)	(4) ASEAN (1967) AFTA (1991) China-ASEAN Framework FTA (2003)	(5) APEC (1989) (transregional) EAEC (1994) (transregional) ASEM (1996) (hybrid interregionalism) ASEAN Plus Three (1998) (hybrid interregionalism)	(6) GATT/ WTO (1947/1995) ITA (1997) BTA (1998) FSA (1999)

*Adapted from Aggarwal (2001); Updated as of February 2005**.**

Unilateral liberalization (cell 1) includes measures taken by Singapore and Hong Kong. The Individual Action Plans (IAPs) of APEC also fall in this category. Other than these few cases, however, unilateral trade liberalization efforts have been relatively rare in East Asia as in other regions.

The prospective Japan-South Korea and South Korea-China FTAs fall in the category of *bilateral regionalism* (cell 2). As suggested by the gravity model, creating a natural trading bloc between a pair of neighboring countries can maximize the benefit from geographic proximity and economic size.

The category of *bilateral transregionalism* (cell 3) includes the bilateral FTAs between Singapore-New Zealand (2000), Japan-Singapore (2002), South Korea-Chile (2002), U.S.-Singapore (2003), South Korea-Singapore (2004), as well as prospective FTAs between South Korea-Mexico and Singapore-Chile. A majority of existing East Asian bilateral transregionalism have been driven thus far by "training" or "capacity-

building" purposes—rather than by purely economic incentives—since many in the region have little prior experience in PTA formation.[3]

Cell 4 focuses on geographically focused *minilateral regionalism* that has traditionally been referred to as "regionalism." Examples include the ASEAN Free Trade Area (AFTA) and the ASEAN-China Framework FTA. In Northeast Asia, Japan, China, and South Korea are increasingly discussing the potential benefits of institutionalizing economic relations among themselves. This type of trading arrangement has attracted the most scholarly attention, commensurate with the rise of regional trading arrangements since the 1960s. However, cells 2 and, to some extent, cell 5 have also been considered "regionalism," although conceptually each may have different implications.

Cell 5 refers to *minilateral transregional* agreements, which represent an important recent development in trade arrangements that link countries across continents (Aggarwal and Fogarty 2004).[4] If an accord links two customs unions or free trade agreements together, this is a case of "pure interregionalism," such as the EU-Mercosur accord. These types of agreements do not currently exist in the Asia-Pacific. If a customs union negotiates with countries in different regions, but not with a customs union or free trade agreement, we refer to this as "hybrid interregionalism" (e.g., ASEM, the prospective ASEAN-Japan Closer Economic Partnership agreement, and the ASEAN Plus Three (APT—ASEAN countries plus Japan, China, and South Korea). If an accord links countries across two regions where *neither* of the two negotiates as a grouping, then we refer to this as "transregionalism" (e.g., the East Asian Economic Caucus (EAEC) and APEC).

Finally, cell 6 points to *multilateral globalism* such as the GATT and its successor organization, the WTO. Though highly successful throughout the postwar period, multilateral trade forums at the global level have increasingly encountered difficulties in hammering out new terms of trade liberalization. This, in turn, has fueled interest in preferential arrangements at the sub-multilateral level or at multilateral sectoral agreements such as the ITA, Basic Telecom Agreement (BTA) and Financial Services Agreement (FSA). Many scholars have rejected arguments about the need for an alternative to the GATT on both theoretical and empirical grounds, and there is a lively debate on the impact such accords might have on the global multi-product approach to liberalization.

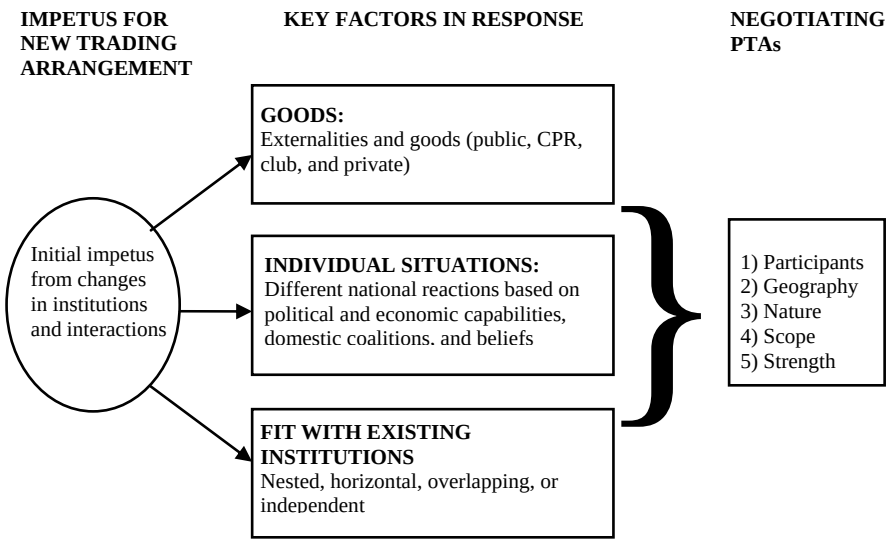
As will be discussed in detail in Section III, the institutional equilibrium in East Asia is currently shifting from a multilateral, broad-based approach (cell 6) to sub-multilateral options including bilateral regionalism (cell 2), bilateral transregionalism (cell 3), minilateral regionalism (cell 4), and minilateral transregionalism (cell 5).

An Institutional Bargaining Game Approach

To analyze the dynamics among various types of trading arrangements and the likely evolution of new institutional equilibrium, we use an institutional bargaining game approach (Aggarwal 1998). As illustrated in Figure 1, we begin by identifying an initial impetus for a new trade strategy. The process of a shift from an initial institutional equilibrium to a new one generally comes about with an external shock—problems with extant international institutions or a financial crisis, for example—that creates pressure for change. Countries respond to such external shocks in various ways based on the

"goods" involved in the negotiations, their individual bargaining situations—consisting of the international position, domestic political structure and beliefs—and the context of the existing institutional environment.

Figure 1: The Origins of Preferential Arrangements



Adapted from Aggarwal (1998).

With respect to goods, an external shock may stimulate or impede the provision of public goods, common pool resources (CPRs), inclusive club goods, or private goods. These various goods signify the degree to which actors can exclude others (private and club goods vs. others) and the extent to which there is non-rivalry in consumption (public and club goods vs. others). Some see trade liberalization as a public good, while others see it more in club good terms.

While there are many factors that might affect national preferences, the most significant elements that influence responses to an external shock and a subsequent change in the provision of goods include: (1) an actor's international position, as defined

by its overall power and its specific economic competitiveness in trade and security matters; (2) the makeup of its domestic coalitions, reflecting pressure groups and political regime type; and (3) elite beliefs and ideologies.

With respect to international position, a country's relative economic development as well as economic size is a key determinant of trade strategies. For instance, a country with a large market is more likely to entice others to seek it out as a trading partner rather than the other way around. Security concerns may also drive an interest in preferential arrangements, as a means of linking one's fate to another country. Countries may prefer trade with their allies, avoiding trade with enemies because the (relative) gains realized from free trade can cause changes in the relative distribution of power in politics and military affairs (Gowa 1994).

The second dimension of individual bargaining situations concerns a state's domestic coalitions and regime type, which reflect the extent to which states are responsive to demands by various groups either for or against trade liberalization. To some scholars, it is mainly domestic pressure groups that determine countries' trade policies (Grossman and Helpman 1995). Others argue that both international and domestic pressures affecting a country's choices are filtered into real outcomes through a state power structure and regime type (Milner 1997).

The third and last dimension of individual bargaining situations concerns elite beliefs and ideologies about the causal connections among issues and the need to handle problems on a unilateral, bilateral, minilateral, or multilateral basis (Haas 1992; Moravcsik 1998). The setback in Seattle has significantly eroded the traditional

confidence in multilateralism, leading to the construction of new ideational formulas for supporting preferential alternatives—be they bilaterally- or minilaterally-based.

With respect to institutional fit, new preferential arrangements or the modification of existing ones are influenced, especially in East Asia, by the context of broader institutional arrangements such as the WTO and APEC. From a theoretical perspective, we can define four types of connections among institutions: (1) nested links, whereby arrangements conform to broader accords; (2) horizontal connections, whereby arrangements reflect a division of labor among institutions without any hierarchy among institutions; (3) overlapping agreements, which may create tension among institutions; and (4) independent institutions, which do not overlap and thus have little or no interaction with existing institutions in functional terms. If institutions already exist and could potentially overlap with each other, actors contemplating institutional innovation must decide how important it is to reconcile institutions through nested or horizontal connections that promote a division of labor.

For example, both APEC's founding members as well as ASEM have worried about undermining the GATT and the WTO as its successor, and sought to nest these two institutions under the rubric of "open regionalism." APEC members saw this approach as a better alternative to using Article 24 of the GATT to justify this accord that seeks to reduce barriers to goods and services amongst themselves in a GATT-consistent manner.[5]

An alternative mode of reconciling institutions would be to simply create "horizontal" institutions that would create an institutional division of labor, as exemplified by the International Monetary Fund (IMF) and the World Bank, with the

former focusing on short-term balance of payment lending and the latter on longer-term structural development (although in practice, this has not always been the case).

By contrast, "overlapping" arrangements can create conflict because of the potential for task competition. For example, in the case of bilateral FTAs, countries have claimed that these arrangements are nested with GATT/WTO Article 24 and that they are even seen to be WTO enhancing. But as Ravenhill (2005) argues, this claim is dubious, with many sectors being excluded and new names being devised—such as the economic partnership agreement (EPA) between Singapore and Japan. Efforts to create an Asian Monetary Fund (AMF) also reflect the debate over institutional conflict.

Lastly, an example of "independent" institutions is the case of the North Atlantic Treaty Organization (NATO) and APEC. While the U.S. is a member of both, these institutions have different institutional missions, and thus do not create any conflict. It is worth noting that previously independent institutions (such as the International Labor Organization and WTO) may be linked over time and may be seen to be overlapping and potentially create conflict.

III. EAST ASIA'S SEARCH FOR A NEW TRADE STRATEGY

We next examine the impetus for a new trade strategy in East Asia using our institutional bargaining game approach. It is our belief that a new institutional equilibrium depends heavily on developments in its northeast sub-region, within the context of broader changes in East Asia. Before turning to this task, we first consider how East Asian states have been active participants in linking up with both the Americas and with Europe. The first arrangement, APEC, goes back to 1989, and is a classic transregional arrangement in

our terminology. The second, ASEM, goes back to only 1996, and reflects a hybrid interregional arrangement, with the European Union (EU) negotiating as a group under EU Commission leadership, and Asians negotiating as members of APT. In our brief historical survey of these two arrangements as a prelude to understanding the likelihood of their dynamic evolution, we emphasize two points: First, both arrangements have come under challenge with the Asian crisis of 1997-98, weakening both as fora for trade liberalization. Second, the 9-11 attack in 2001 has shifted the scope in part of both organizations away from economic issues to security ones (as well as other issue-areas).

APEC: New Mission or Faltering Transregionalism?[6]

APEC currently groups twenty-one economies with the professed aim of liberalizing trade and investment in the Asia-Pacific region. As a trade liberalization forum, APEC began to take on a significant role in 1993 when heads of states met in Seattle, giving the Uruguay Round of negotiations a strong boost. By indicating its willingness to move forward with trade liberalization in what was then the most dynamic region of the global economy, the U.S. was able to encourage the EU to be more forthcoming. At least in the minds of some observers, APEC had proved its benefit in serving as a building block for trade liberalization on a global level.

In November 1994, the members of APEC issued the Bogor Declaration at their annual meeting in Indonesia. This agreement set APEC members on the road to trade liberalization with a target for achieving open trade for developed nations by the year 2010 and developing nations by 2020. A year later, APEC leaders then met in Osaka to hammer out the details of how to reach the free-trade goal. APEC members continued to

espouse the principle of "open regionalism," arguing for the nesting of APEC within the WTO, but without the creation of a formal free trade area or customs union as permitted under Article 24 of the GATT.

In 1996 in Manila, APEC shifted from emphasizing the benefits of transregionalism in building and reinforcing globalism to expounding the potential benefits of sectoralism. The U.S. pressed to use APEC to leverage trade liberalization in the WTO, specifically in an effort to push negotiations forward in information technology. APEC members agreed to an APEC-wide liberalization program in this sector, and this effort can be seen as using sectoralism regionally to pursue sectoral liberalization globally. With this success, the U.S. began to pursue a minilateral sectoral path with enthusiasm, pressing for Early Voluntary Sectoral Liberalization (EVSL) as a nine-sector package at the Vancouver summit in 1997. This strategy initially appeared to be viable, but quickly ran into difficulties. At the Sixth Leaders' Summit in November 1998 in Kuala Lumpur, Japan (with support from other Asian countries) refused to liberalize trade in fishing and forestry products and the package was deferred to the WTO for further debate. What seemed in the mid-1990s to be a promising avenue to pursue trade liberalization (at least from the American perspective) in the world's most dynamic region began to look more like a dead end, or, at the very least, a very bumpy road.

With respect to finance, APEC failed to take any significant role in the resolution of the region's problems resulting from the 1997-98 financial crisis. The success of the U.S. and the IMF in forestalling the creation of a rival financial institution was embodied in the November 1997 Vancouver APEC Summit meeting leaders' endorsement of the so-called Manila framework, which called for the IMF to take the lead in providing

emergency loans to Thailand, Indonesia, and South Korea, with APEC members taking only a secondary role, if necessary. Thus, with the APEC action providing a seal of approval for the U.S.-IMF backed plan, the AMF idea was put on hold.

In short, in both trade and finance, APEC appeared to have been marginalized. At the 1999 Auckland Leader's meeting, the only movement in trade was the call by the APEC Business Advisory Council (ABAC) members for economies to avoid imposing tariffs on e-commerce. At a two-day meeting in June 2000 in Darwin, APEC agreed to an extension of the moratorium on the imposition of customs duties on e-commerce until the next WTO ministerial conference.[7] In its key recommendations for 2000, ABAC requested that members tackle the growing issue of non-tariff barriers within IAPs; to remove impediments associated with standards and conformance; and to support sectoral government-business dialogue to promote APEC's facilitation agenda.[8]

While the financial crisis appeared to have eviscerated APEC, the 9-11 attacks found the U.S. on a mission to rally international support in the fight against terrorism. Security concerns dominated the leaders' discussions in Shanghai (2001) and Los Cabos (2002), overshadowing conventional "economic" issues. For example, the U.S. has led a drive to increase security in shipping containers and cooperation in customs and immigration. Stronger controls over financial institutions were partially motivated by the imperative to freeze assets of suspected terrorist organizations.[9]

Recent summit meetings in Thailand (2003) and Chile (2004) have continued this emphasis on security, although trade and financial issues continue to be debated. With respect to trade, APEC has been used as a forum to press for continued progress in the Doha Round, rather than fostering trade liberalization in APEC *per se*. In finance, there

has been progress in creating a regional bond market that would reduce costs of financing for smaller businesses. By far, however, the most aggressive initiatives have been taken in the security realm, although this has generated considerably controversy. The U.S. pushed for control of Man-Portable Air Defense Systems, called for increased port and cargo security, and efforts to attack transnational terrorist groups.

In sum, APEC has now become significantly broader in scope, but at the cost of its institutional strength. Despite various calls for the creation of a more developed secretariat and an emphasis on trade liberalization through this forum, little progress has been made on this score. The likelihood of significant changes in APEC is a topic that we turn to in Section IV.

ASEM: From Hybrid to Pure Interregionalism?

ASEM symbolizes the most ambitious effort toward free trade and political dialogue between Europe and East Asia. ASEM currently includes all APT member countries and primarily strives to establish an Asia-Europe free trade area by 2020. Given the high degree of economic interdependence between the two regions, with East Asia being the second most import market for EU exports after North America and its leading partner for imports, it is hardly surprising that free trade talks have begun to solidify between the two economic powerhouses. Nonetheless, as Jörn Dosch (2003) has noted, Asian-European relations remain at a low level due in part to lack of historical and cultural ties.

In 1994, driven in part by fear of being marginalized by the U.S. emphasis on East Asia through APEC, the EU issued a publication focusing on a new strategy toward East Asia. Singapore took the initiative and proposed a meeting of ASEAN members and the

EU, resulting in the first ASEM leaders' meeting in March 1996 in Bangkok. Little of substance took place at this meeting, but the agenda from the outset included political, economic, and social issues—a much broader agenda scope than APEC's initial steps. Of greatest significance was the fact that ASEM included the then seven members of ASEAN as well as China, South Korea, and Japan, thus initiating consultations among these states.

As Gilson (2004:73) notes, ASEM has fostered the creation of an East Asian identity and increased the counterpart coherence of the region, particularly in the context of the failure of APEC to take any significant initiatives in resolving the financial crisis. She argues that this ongoing interaction between the EU and Asians has fostered the creation of APT grouping, which has now taken on life of its own distinct from a grouping that came together initially to meet with the EU. While European success in integration provides a role model for closer relations among East Asians, the differences in economic strategy has further reinforced an "Asian Way" that is distinct from both the EU and the U.S. (Gilson 2004: 74).

The second meeting in London in 1998 took place in the context of the Asian financial crisis and proved to be extremely contentious. The EU supported the IMF conditionality approach to resolving the crisis, and did not prove to be particularly receptive to helping in resolving the crisis and the region's need for an inflow of funds. An alternative to the IMF in the form of an AMF did not secure European support (and elicited active U.S. opposition). One of the key developments in London summit was an Asia-Europe Vision Group (AEVG), similar to APEC's Eminent Persons Group. The AEVG in 1999 recommended increasing in trade with a goal of free trade by 2025 and

increasing macroeconomic coordination. But at the same time, the group did not propose any significant institutionalization of the relationship.

The meeting between South and North Korean leaders in June 2000 overshadowed the third meeting in Seoul in October 2000. This meeting caused tensions among Europeans on how best to deal with North Korea, and also was marked by disputes over human rights (Lawson 2000). The EU has refused to allow participation by Myanmar, despite its having been admitted to ASEAN in 1997. The meeting was also marked by a significant non-governmental organization (NGO) presence.

Subsequent meetings of ASEM in September 2002 and October 2004, in Copenhagen and in Hanoi, respectively, showed the impact of broader developments in setting the agenda for ASEM. This is obviously logical but also demonstrates an absence of a strong internally generated momentum to address either economic or security issues in the ASEM forum per se. At the Copenhagen meeting, the emphasis was given to both security to cooperate on international terrorism and trade to bolster the prospects for the Doha Round. At the Hanoi meeting, the potential collapse of a summit meeting was averted by a compromise that Myanmar would not send any high level officials to the meeting, in keeping with the EU's criticism of its human rights policies. Moreover, these meetings have been used as a counter to both EU and East Asian concerns about U.S. unilateral policies, with calls for more cooperation in anti-terrorist activities through the UN and a more general orientation toward a multilateral approach.

On the whole, however, ASEM has clearly done little to foster any degree of economic integration between the EU and East Asia. Moreover, its lack of institutionalization appears to be a growing hindrance to serving as a forum for any

significant policy initiatives. As with APEC, many of ASEM's problems appear related to the lack of consensus on a meta-regime for ASEM—agreement on principles and norms about the role of the institution (Aggarwal 1985). ASEM is additionally burdened given both the issue scope and number of members. In this light, it is not particularly surprising that at least with respect to trade liberalization, the focus of East Asian countries (and the EU) has increasingly turned to a bilateral route.[10]

East Asia's New Appetite for Bilateralism

In postwar East Asia, several efforts have been made to create a stronger institutional manifestation of regional economic ties, but these efforts have barely succeeded (Calder and Ye 2004). Analysts have spilled much ink in debating the uniqueness of East Asian regionalism that is often characterized by market-driven, informal integration. Among others, the networks of Japanese transnational corporations and overseas Chinese are seen to have played a key role in forming a virtual economic community in the absence of formal institutionalization of regional economic affairs (Hatch and Yamamura 1996; Bernard and Ravenhill 1995; Katzenstein 1997). The openness of the U.S. market, natural forces of proximity, and the vertical and horizontal integration of regional economies through Japanese investment along with overseas Chinese business networks seemed to have produced greater economic interdependence without substantial institutionalization at the regional level.

In the l990s, however, the traditional institutional equilibrium in East Asia became increasingly unstable. Many countries in the region began to actively embrace the latest wave of PTAs in an attempt to institutionalize their economic ties. Although

many countries continue to pay lip service to their commitment to multilateral globalism, the erosion of their confidence is visible in various parts of the region.

The pressure for a shift from the traditional institutional equilibrium to a new one came about through two external shocks—one political and one economic in nature. First, broader security shifts such as the end of the Cold War made it politically easier for East Asian countries to consider regional institutionalization (Ravenhill 2002b). The end of bipolarity has reduced the significance of Cold War perceptions and divisions, breaking down barriers that had precluded regional integration between capitalist and communist blocs. Relatedly, the U.S. no longer adopts an antithetical position towards regional organization.

The second and most critical turning point came in the wake of unprecedented economic shocks in the last years of the decade, to which the seemingly dense networks of Japanese and overseas Chinese investment turned out to be quite vulnerable. To some extent, the impact of the particular pattern of Japanese and overseas Chinese investment contributed to the damaging crisis (Hatch 1998). The rapid expansion of Japanese and overseas Chinese regional production networks in East Asia in the 1980s and early 1990s began to show a tendency to follow investment fads rather than market demand, creating overcapacity in similar manufacturing sectors such as electronics and automobiles.

East Asian economies could delay the ultimate bursting of their bubble as long as they were able to find export markets where they could sell the investment-fueled output that vastly exceeded the absorption capacity of domestic consumers. However, the structural problems finally exacted a heavy toll in the closing years of the 1990s. For East Asian countries (with the exception of China), the seemingly endless export boom of

1980s and early 1990s began to face problems in the mid-1990s. At the end of 1990s the "trade triangle" that had linked Japanese (and overseas Chinese) capital, developing East Asian manufacturing capacities, and Western markets was apparently in trouble (Pempel 1999).

One major option for the crisis-ridden countries and their affected neighbors was to secure preferential access and create a more diversified export market. In other words, the new trend in East Asia reflects a convergence of interests in securing inclusive "club goods" in the face of anemic, if not shrinking, export prospects. Many East Asian countries came to recognize that tighter institutionalization—rather than loosely structured production networks—might be a better commitment mechanism for providing economic security. With traditional, broad-based mechanisms within the WTO, APEC, and ASEM offering no salient solutions, East Asian countries quickly turned towards PTAs to assure a market for their products.

Turning to the first element of individual bargaining situations, namely an actor's international position, the dynamics between two regional rivals—Japan and China—is of particular importance to both Northeast and Southeast Asia (Calder and Ye 2004). In the wake of the aforementioned external shocks in the 1990s, the new dynamics of rivalry between Japan and China are now playing a critical part in shaping the newfound rush to PTAs. Besides standard welfare calculations, for both Japan and China, emerging interest in PTAs provides a convenient venue to vie for regional economic leadership. In the regional context of growing Sino-Japanese rivalry, small and medium-sized countries pursue PTAs in order to strengthen their bargaining position and diplomatic weight.[11]

In East Asia, individual bargaining situations in terms of pressure groups and regime type have changed significantly as a result of the financial crisis and the end of the Cold War. State structures vary significantly in the region—ranging from highly democratic—e.g., Japan and South Korea—to highly authoritarian—e.g., China and Cambodia—regimes. Though with different degrees, many governments in the region experienced challenges to their political legitimacy and actual political turnover by groups and individuals who had previously tolerated cronyism and familism. Such a development in the regime structure as well as societal pressures has altered the economic payoffs facing individual countries, as they march toward more democratic regimes, rendering intergovernmental cooperation more likely and the requirements of institution-building less daunting. In South Korea, for example, a reformist, internationally minded political leadership and a fluid social coalition that emerged in the wake the 1997-98 financial crisis paved the way for promoting PTA negotiations (Koo 2005).

In addition, countries' changing perceptions regarding the importance of supporting multilateral institutions has affected the strength and scope of preferential mechanisms. Many East Asian trade experts now are part of an "epistemic community" which shares the view that preferential arrangements can be trade enhancing and serve a similar purpose of multilateral trade liberalization.[12] On the one hand, many of the recent PTAs in East Asia attempt to cover broader areas and elements like trade in services, factor mobility, investment rules, intellectual property rights, and government procurement, indicating their nature of WTO-plus or institutional division of labor. On the other hand, cases of negative diffusion are also increasing in number as countries

make a bolder move toward PTAs that are clearly at odds with at least the spirit of the multilateral rules of GATT/WTO. In this case, the Japanese have followed the EU precedent in their negotiations of the JSEPA: the few products in the ultra-sensitive agricultural sector that Singapore exported to Japan were excluded from the liberalization provisions. Other East Asian countries have quickly signaled that they intend to follow Japan's precedent (Ravenhill 2005).

Finally, the existing institutional context at the broad-based, international level drives the political initiatives and intrinsic interest to create PTAs in East Asia. With the WTO, APEC and ASEM unable to deliver on trade liberalization, there is a growing incentive for East Asians to find an "insurance policy" to realize free trade at the bilateral level. Among East Asian countries, China appears to be the only exception in this regard. China had spent the lion's share of its diplomatic capital on securing WTO membership. For Chinese leaders, no serious distraction from multilateral schemes is desirable, since it would likely taint one of their biggest diplomatic achievements in recent years. It is not surprising that China appears to be moving somewhat more slowly than its neighbors with regard to PTAs. In addition, China's dazzling economic performance makes the need for inclusive club goods less compelling to it than to its trade-dependent neighbors. As Kwei (2005) argues, China is more likely to engage in "one-to-many" negotiations or "hybrid bilateral" arrangements, rather than pure bilateral PTAs, except where security or political imperatives dominate.

In sum, although the East Asian countries' pursuit of PTAs does not mean that they downplay the significance of the broad-based, multilateral trade systems, the policy departure is obvious and significant. The latest enthusiasm for PTAs in East Asia seems

to revolve around a bilateral FTA as a popular mode of participation, while there are also strong indications of minilateral participation such as APT and the China-ASEAN Framework FTA (Dent 2003). To this point, East Asia's new appetite for PTAs is geographically open. On the one hand, these PTAs go beyond the traditional concept of a region defined by geographical proximity. On the other hand, while some PTAs go beyond the concept of geographical region, other transregional and (hybrid) interregional initiatives have emerged that attempt to formalize the emergent concept of an East Asian Community (EAC) with multiple crosscutting linkages of trade and investment, promoted by the APT initiative (Webber 2001).

IV. EAST ASIAN BILATERALISM AND THE DYNAMICS OF APEC AND ASEM

How will the newfound enthusiasm for bilateralism in East Asia affect extant broad-based, international institutions such as the WTO, APEC, and ASEM? In this section, we focus on possible institutional paths that East Asia is likely to take by focusing on the latest trend in bilateralism of the Northeast Asian Three countries. This sub-region is particularly important since it is not only at the heart of East Asia's new rush toward bilateralism, but also is the principal locomotive of regional growth. Relying on a two-tiered, bottom-up approach, we first explore various paths that might lead Northeast Asian bilateralism to some type of market-opening Northeast Asian FTA (NEAFTA), and then we consider the most likely paths that the interim outcomes might take beyond Northeast Asia to understand the implications for APEC and ASEM.

From Bilateral Regionalism to Minilateral Regionalism

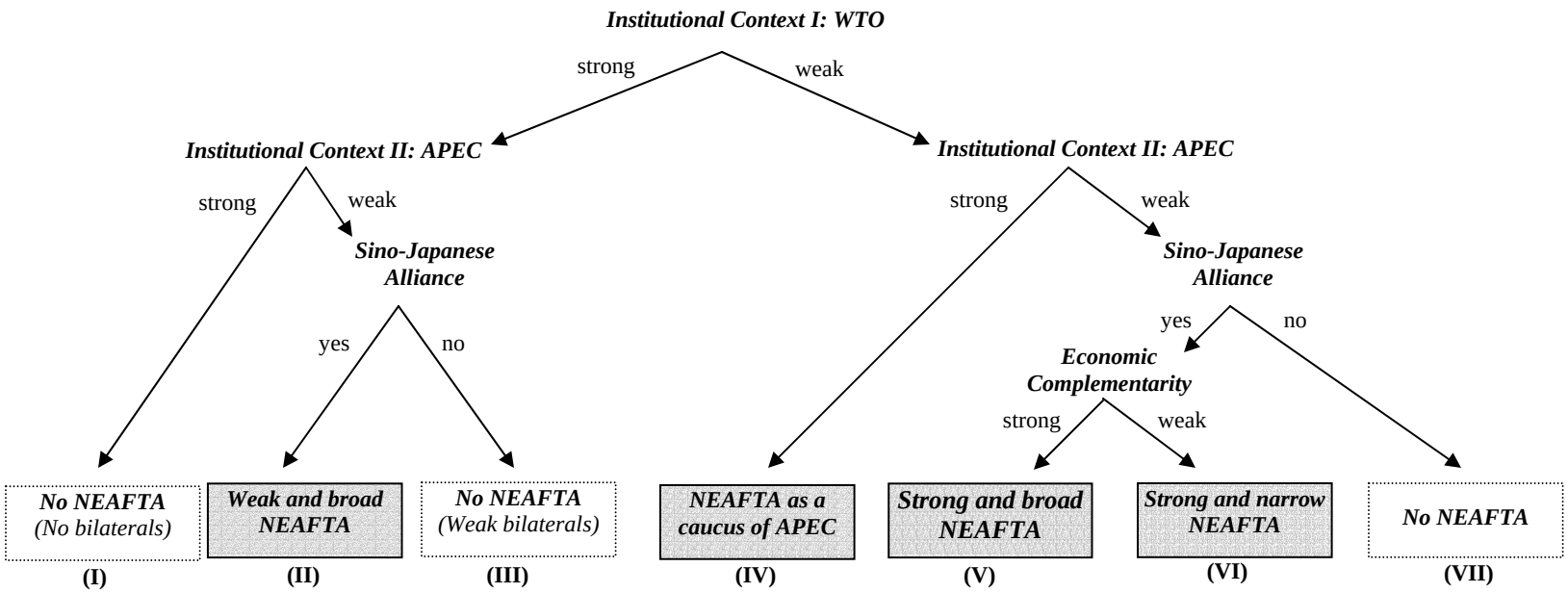
To systematically construct our simplified scenarios, we assume a certain hierarchical order among the variables in our institutional bargaining game. Drawing on the factors illustrated in Figure 1, we give pride of place to the status of extant broad-based, international institutions as a primary source of *initial impetus* for change. We assume that the status of the WTO and APEC may stimulate or impede the provision of trade liberalization as a public good.[13] Specifically, we believe that the weakness of each of these institutions will encourage the pursuit of a club good, whereas their strength will discourage incentives for pursuing club goods. We consciously choose not to include ASEM as a source of initial impetus, since it would unlikely have an independent influence generated by its own internal mechanism as we have argued previously.

Given the nature (market opening) and geographic coverage (Northeast Asia) of a prospective PTA, individual bargaining situations and institutional context will determine the other elements of bargaining outcomes, namely the number of participants (1, 2, or 3), strength of institutions (for example, the degree to which the agreements are binding and the presence of dispute settlement procedures), and scope of products included. We focus on three variables in order of their presumed significance—the institutional strength of the WTO and APEC, alliances, and economic complementary between countries. We draw the following causal relationships from our theoretical and empirical observations: the number of participants, strength, and scope of a prospective NEAFTA are a negative function of the strength of the WTO and APEC, and a positive function of alliances—particularly a Sino-Japanese alliance[14]—and economic complementarity (See Figure 2).

If both the WTO and APEC are *strong*, there is little raison d'etre for a NEAFTA. Essentially, all the incentives for securing club goods (even through bilateral agreements) would be gone with the broad-based institutions operating and dominating the institutional space (outcome I in Figure 2).

A combination of a *strong* WTO and a *weak* APEC creates some incentives for pursuing club goods, thereby permitting institutional room for either trilateral or bilateral regionalism in Northeast Asia. If a positive, albeit tentative, alliance between China and Japan came into existence (and thus a trilateral alliance including South Korea), a weak but broad NEAFTA might be a possibility (outcome II). The logic here is that the strength of the WTO would dissuade a major focus on club goods. But the weakness of APEC would motivate politically allied Northeast Asian countries to form a NEAFTA—immediately or by merging separate bilaterals—in order to maximize the benefit from the geographic proximity and size of their economies. By contrast, if there is no Sino-Japanese alliance, a NEAFTA would be highly unlikely due to strong relative gains concerns between the two regional rivals. Yet this does not eliminate the possibility of bilateral alliances between Japan and South Korea and, potentially, between China and South Korea. Given the weakness of APEC, bilateral PTAs between these two dyads would remain a viable option, but their strength is likely to be weak in the presence of a *strong* WTO (outcome III).

Figure 2: Paths to Minilateral Regionalism in Northeast Asia



A combination of a *weak* WTO and a *strong* APEC is likely to result in a very weak NEAFTA. The WTO's weakness would motivate the three countries to pursue trilateral club goods, even without formal alliance arrangements amongst themselves, since a strong APEC would decrease relative gains concerns. In this case, however, a NEAFTA would be reduced to a caucus of the three countries *within* APEC—rather than a separate, strong negotiating body—since APEC operates as a principal locus of trade liberalization (outcome IV).

Finally, if both the WTO and APEC are weak, considerable institutional space and a multiplicity of options are likely to emerge. If China and Japan reach a political alliance (thereby leading to a trilateral alliance in the region), the formation of a *strong* NEAFTA is highly likely. In this case, the scope of a resulting NEAFTA is hinged upon economic complementarity. If economic complementarities exist among the three countries, they will broaden the scope of product coverage (outcome V). If there are weak economic complementarities, we can expect a strong but narrow (or sectoral) NEAFTA (outcome VI). By contrast, if there is no alliance between China and Japan, a NEAFTA is not a possibility (outcome VII).

From Minilateral Regionalism to Minilateral Trans- and Inter-regionalism

Using the "institutional map" that we have drawn thus far, we further explore the paths that each of these seven hypothetical outcomes would likely take beyond the geographic horizon of Northeast Asia. We expand the list of our assumptions to include ideational and strategic variables: (1) an emerging sense of East Asian community may reinforce the formation of East Asian bloc, either open or closed; and (2) if the strategic

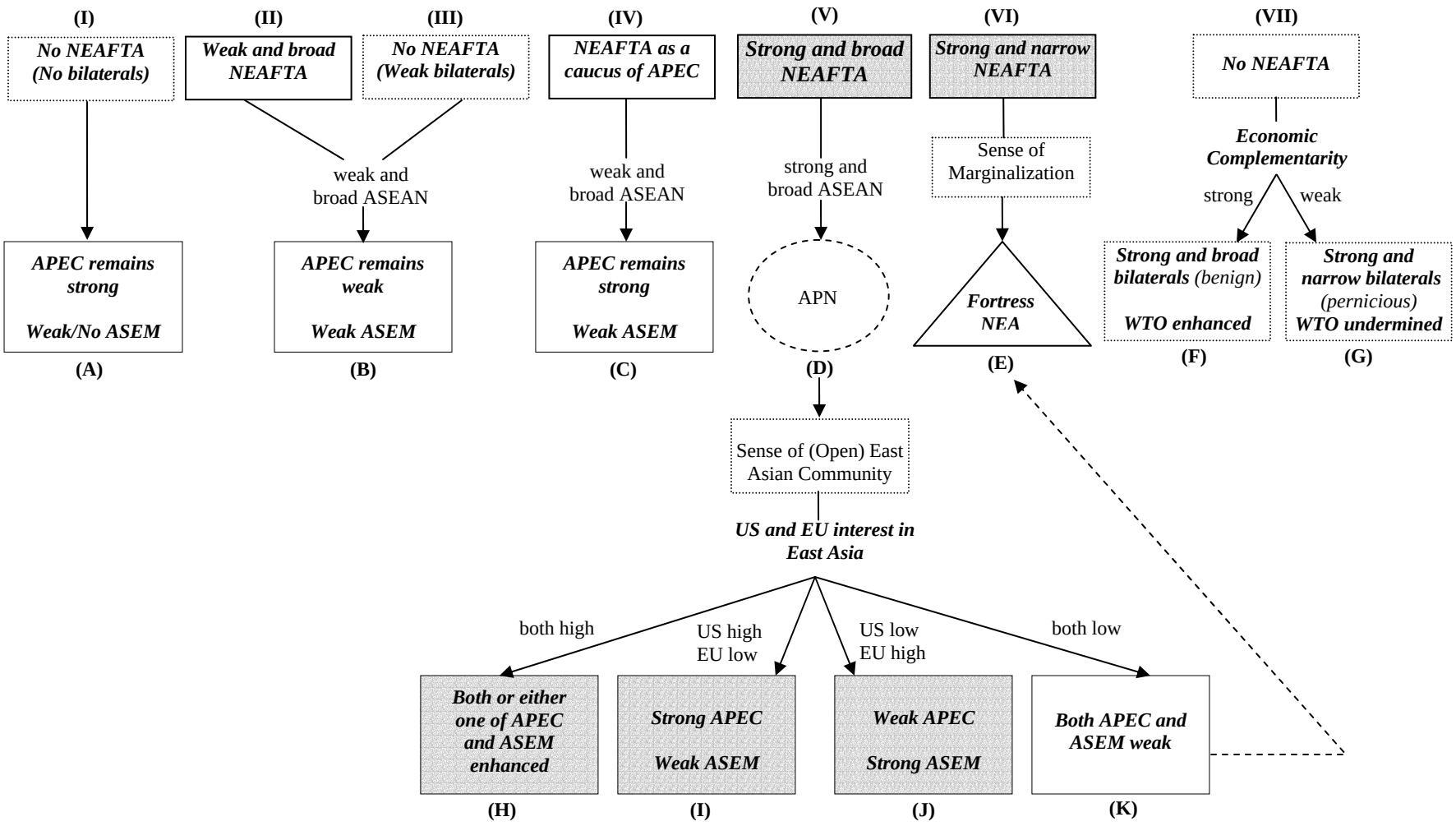
environment surrounding East Asia is hostile—meaning that the U.S. and the EU both become exclusively inward-looking—the resulting East Asian bloc will be closed in nature; otherwise, a prospective East Asian bloc will remain open and may revitalize both or either one of APEC and ASEM as transregional and/or interregional fora (See Figure 3).

We can expect that a combination of *no NEAFTA* and *no bilaterals* (outcome I) will have little impact on broad-based, international institutions, thereby leaving APEC strong as initially assumed, while making ASEM weak or even go defunct, if a strong WTO and a strong APEC take up most of the institutional space available in East Asia (outcome A).

A combination of a strong WTO and a weak APEC will leave ASEAN broad but weak. As shown in the path toward outcome B, a *weak* and *broad* NEAFTA (outcome II) will have little impact on both APEC and ASEM, if it is combined with a weak and broad ASEAN. A combination of *no NEAFTA* and *weak bilaterals* (outcome III) will have the same result, if it is combined with a weak and broad ASEAN (outcome B).

Given the assumption of a strong APEC, a *NEAFTA as a caucus of APEC* (outcome IV) is likely to be combined with a weak and broad ASEAN. Such a nested, albeit weak, status of East Asia's subregional institutions may consolidate APEC as a transregional institution. The hypothetically weak status of the WTO might allow ASEM to continue to function within the institutional landscape of East Asia, but its strength and scope is highly likely to be limited (outcome C).

Figure 3: Paths from Minilateral Regionalism to Minilateral Transregionalism/Interregionalism



How would a *strong* and *broad* NEAFTA (outcome V) evolve beyond Northeast Asia? This type of NEAFTA is most likely to be combined with a *strong* and *broad* ASEAN, since the WTO and APEC both are assumed to be weak, thereby leaving a larger institutional room for ASEAN as a provider of club goods.[15] In this scenario, the most likely outcome is an *interregional* arrangement—that is, a bilateral arrangement between two separate PTAs—possibly in the form of an ASEAN Plus NEAFTA (APN) (outcome D). With respect to the likely influence of a prospective APN on either APEC or ASEM, this is one of the most interesting scenarios that call for further exploration, which we turn to at the end of this section.

What about paths from outcome VI? In this case, we could end up with the formation of an exclusive, if not pernicious, "Fortress Asia" commensurate with the oft-voiced fears of a "Fortress Europe" and "Fortress America." The strategic relationship between Northeast Asia and the rest of the world will be of key significance here. Most importantly, if the U.S. continues its focus on the Free Trade Area of Americas (FTAA) and the EU continues on an eastward and possibly southward expansion path, others may feel excluded. Under these circumstances, the decade-long perception between Northeast and Southeast Asians that Western regional arrangements are forming against them may well rekindle the Mahathir-promoted notion of an exclusive East Asian bloc (outcome E).

In outcome VII, although we rule out a trilateral alliance, two separate dyads—Japan-South Korea on the one hand and China-South Korea on the other—are likely to have strong incentives to secure club goods through bilateral arrangements between themselves. In this case, the strength of bilateral arrangements would be heightened due to the weakness of both the WTO and APEC and these bilaterals would operate as the

dominant mode of trade liberalization in Northeast Asia. If an individual dyad has strong economic complementarity, it might result in a *strong* and *broad* bilateral arrangement (outcome F). This path can lead to *benign* bilateralism if it catalyzes a competitive dynamic to liberalize among other countries, thereby enhancing the institutional strength of a supposedly weak WTO (Schott 2004). By contrast, if an individual dyad has weak economic complementarity, it might lead to a *strong* but *narrow* bilateral accord (outcome G). In this case, it is plausible that the Northeast Asian countries may be polarized between two camps—China versus Japan—on a sectoral basis, thereby undermining regional integration efforts. Ultimately, a pernicious web of competitive, sectoral bilaterals would likely damage other broad-based, multilateral trading accords, if any (Irwin 1993; Aggarwal and Ravenhill 2001; Bhagwati 2002).

Finally, if an East Asian grouping such as APN is created that proves stable, the growing interconnectedness and the networked nature of interstate economic activities may produce an increasing awareness and sense of community among East Asian countries (Terada 2003). As APN countries become more confident in their ability to create their own transregional grouping, they might be more willing to extend their institutionalization efforts to the transregional level of *APEC*, thereby giving it new life. This could also lead to more of an *interregional* rather than a transregional outcome, with the Australia New Zealand Closer Economic Relations (CER) Agreement, APN, and NAFTA (or FTAA) operating within APEC as three distinct hubs. Similarly, the increasing sense of community within East Asia could facilitate the ASEM forum, leading to pure Asia-Europe interregionalism. The specific outcome will be determined by the U.S. and the EU's interest in East Asia as discussed below.

If both the U.S. and the EU have a high degree of interest in East Asia, both APEC and ASEM might be enhanced. In theory, however, a more likely outcome is that one of the two institutions will become stronger at the expense of the other. The logic behind this prediction is that East Asia may choose to either balance American unilateralism with the EU or to bandwagon the U.S. supremacy based on capabilities and their perceptions of threats. Given their traditional security and economic ties with the U.S., East Asian countries are more likely to join the U.S. camp at the expense of alliance with the EU. Therefore, APEC will be strengthened, while ASEM is weakened (outcome H).

If the U.S. alone has a high degree of interest in East Asia, APEC as an institutional bridge that links the U.S. (and North and South Americas) to East Asia will be strengthened, whereas ASEM as a principal institutional vehicle between Europe and East Asia will be further undermined. In this scenario, the increasingly complex interregional relationships and a deep and broad scope of activities across the Pacific Ocean will be governed within a strengthened APEC (outcome I).

By contrast, if the EU alone has strong interest in East Asia, ASEM will be strengthened whereas APEC will be significantly weakened. ASEM's heretofore putative attempt to enhance a partnership of European and Asian "equals" will be finally materialized as the "counterpart coherence" is made comparably equal on the East Asian side (outcome J).[16] Lastly, if neither the U.S. nor the EU has any interest in East Asia, both APEC and ASEM will be undermined (outcome K). This outcome can possibly lead to the Fortress scenario as discussed above (outcome E).

V. CONCLUSION AND IMPLICATIONS

At the turn of the new millennium, the traditional institutional equilibrium in East Asia—the embrace of the WTO at the multilateral level and a focus on market-driven, informal integration at the submultilateral level—is under heavy strain. A growing number of Northeast and Southeast Asian countries are pursuing greater institutionalization at the sub-multilateral level, actively weaving a web of preferential arrangements. This article examines the likely path of trading arrangements in Northeast Asia, and explores its likely implications for East Asia and the future of APEC and ASEM.

We have found conventional accounts of trading arrangements wanting. By and large, the focus of most studies has been on a rather diffuse notion of "regionalism" that does not adequately capture the varieties of trade governance measures. To remedy this lacuna, we developed a more fine-grained, synthetic typology—unilateral, bilateral, minilateral and multilateral—and showed how this approach can help us to classify East Asian trading arrangements more systematically.

Explaining the large variety of trading accords poses a challenge. In an effort to understand the diversity of accords, we proposed an institutional bargaining game approach, which focuses on goods, countries' individual bargaining situations, and the fit with existing arrangements. With respect to goods, we assumed that any disturbances in the provision of trade liberalization as a public good motivate countries to seek for club goods. In looking at countries' individual bargaining situations, we focused on their international strategic and economic interests, their social coalitions and regime types, and their beliefs about the value of pursuing trading arrangements in the proliferation of PTAs in the other parts of the world.

The institutional bargaining approach allowed us to explore how trading arrangements have evolved in East Asia. We showed how the changing nature of broader institutions interacted with country characteristics to alter institutional payoffs in the region. In particular, the pursuit of club goods has replaced a more generalized commitment to public goods in the aftermath of the Asian financial crisis, which also undermined the myth that loose-structured production networks in East Asia could be a viable alternative to tighter, formal institutionalization.

Going beyond analysis of past events, we then explored possible paths to formal economic integration in Northeast Asia. We argued that the strength or weakness of the WTO and APEC opens up or closes institutional space by affecting the provision of public goods and thus the incentives for club goods. If the WTO and APEC weaken further, a NEAFTA could well be a possibility. Yet much depends on the possibility of a Sino-Japanese alliance and economic complementarity between individual countries. We then examined possible development of a NEAFTA into broader transregionalism and interregionalism. As our scenario analysis indicates, a NEAFTA has both benign and pernicious elements, depending on the ideas and beliefs held by regional actors.

The possible contribution of a prospective East Asian bloc to APEC and ASEM primarily depends on the *balance of interests* between the U.S. and the E.U. concerning East Asia. If the U.S. maintains a higher degree of interest in East Asia, APEC is likely to be enhanced at the expense of ASEM. By contrast, if the EU has a higher degree of interest in East Asia, ASEM might be enhanced at the cost of APEC. If neither the U.S. nor the EU shows interest in East Asia, an emerging East Asian bloc would likely follow suit of a Fortress Europe and/or a Fortress America.

In sum, we are literally at a fork in the road of choosing trading arrangements. In view of the tremendous political and economic uncertainty in the global economy, the path to freer trade in Northeast Asia, East Asia, and the world system is likely to be a bumpy one.

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[1] See for example, Mansfield and Milner (1999: 592), who recognize the problematic nature of the term "regionalism" but then proceed to use this term in their analysis. See also Bergsten 2001.

[2] We will consider all the five elements in the following scenario analysis of East Asian trade arrangements in Section IV.

[3] Koo (2005).

[4] Many analysts lump their examination of accords such as NAFTA with the EU's efforts to link up with Mercosur or with APEC—which seems potentially inaccurate for the purposes of developing causal accounts of these arrangements.

[5] GATT/WTO Article 24 requires that customs unions and free trade areas should cover "substantially all trade" among the participants. Member countries have exploited the lack of specificity of Article 24 to reduce the domestic political costs of entering PTAs.

[6] This section draws on Aggarwal and Kwei (2005).

[7] *The Financial Times*, 8 June 2000, p. 12.

[8] *What's happening in APEC?* Business Briefing Vol.10, October 2000.

[9] Associated Press, 'APEC Leaders Pledge to Boost Trade,' 28 October 2002.

[10] Ravenhill (2004) notes with surprise that the EU has failed to engage East Asians on a bilateral FTA basis, especially in view of the efforts of Singapore and others in the region to secure such an accord.

[11] This point was driven home most dramatically with regard to ASEAN. At the APT meeting in Brunei in 2001, China proposed an ASEAN-China FTA, and signed a surprise agreement in February 2003 with the 10 ASEAN countries pledging free trade by 2010. Challenged to do the same, Japan proposed a Japan-ASEAN FTA at the ASEAN summit of 2002. It also hosted the ASEAN-Japan Commemorative Summit in December 2003, confirming its enthusiasm for promoting collaboration with ASEAN members. South Korea has recently jumped on board as well (Pempel and Urata 2005; Koo 2005).

[12] In Japan, for example, free trade advocates now see PTAs as devices that would achieve economic restructuring in ways that would be more palatable than either sweeping domestic reform programs or commitment to more comprehensive global free trade measures (Pempel and Urata 2005).

[13] Strictly speaking, the WTO and APEC are club goods to the extent that it requires membership to benefit from trade liberalization that they materialize. With the former's global membership and the latter's spirit of "open regionalism," their provision of the broadest club good virtually serve as global public goods.

[14] It is quite plausible to assume that the current quasi-alliance relationship between Japan and South Korea will persist and is likely to evolve into a full-fledged alliance in the foreseeable future—given their strong bilateral ties with the U.S. and common security threat from North Korea. As such, the question of alliance in Northeast Asia really comes down to whether China and Japan could form an alliance (albeit an uneasy one) through a Franco-German type of rapprochement. South Korea would unlikely choose to remain excluded if a Sino-Japanese alliance came into being. This alliance hypothesis is predicated on the assumption that countries prefer to form PTAs with their allies rather than with their enemies because of the security externalities of trade. As noted in our theory section, the relative gains realized from preferential trade can cause changes in the relative distribution of power, thereby leading countries to avoid entering into PTAs with their enemies.

[15] If ASEAN fails to strengthen despite the need for club goods, a strong and broad NEAFTA may link up with a weak ASEAN to form a *hybrid interregional* arrangement such as an East Asian FTA (EAFTA), which currently manifests itself in the reverse form of APT or EAC where ASEAN is united, but South Korea, Japan, and China are not.

[16] The logic behind this outcome is that the EU may see interregionalism as an initial piece of an emerging common foreign and security policy that seeks to extend European influence in various strategic regions through a "hub-and-spoke" model with the EU at the center of a series of economic relationships. In most interregional relationships, the EU would be the dominant side, and thus could largely dictate the terms of these institutionalized relationships. To a certain extent, this European strategy could be seen as classic balancing behavior and a response to American pursuit of a similar strategy, particularly through APEC and FTAA (Aggarwal and Fogarty 2004: 12).