

**We-ness without the United States:  
Contested Neoliberalism and East Asian Monetary Cooperation**

Yong Wook Lee  
Assistant Professor  
Department of Political Science and International Relations  
Korea University  
tel: 82-2-3290-2181  
e-mail: yongir@korea.ac.kr

12/10/2009

Prepared for the Annual Conference of British International Studies Association  
Leicester City, December 13 – 16, 2009

*Please Do Not Quote without Permission*

*A central paradox of modernity, then, is that a wide range of cultural forms can be found in different nations' instrumental institutions despite the fact that all of those institutions are purportedly oriented to [presumably] a unitary set of economic laws—Dobbin<sup>1</sup>*

## **Introduction**

One of the most conspicuous phenomena in East Asian economic relations in the aftermath of the Asian Financial Crisis (hereafter AFC) is arguably the emergence and development of what Grimes calls “East Asian financial regionalism.”<sup>2</sup> Grimes defines East Asian financial regionalism in terms of “[East Asian states’] attempts to reduce currency volatility, to create frameworks to contain financial crises, and to develop local financial markets.”<sup>3</sup> Under the auspices of ASEAN plus Three, which was institutionally created in 1999 by East Asian states<sup>4</sup> as a forum for regional economic cooperation, East Asian financial regionalism is manifested and developed through three major initiatives: the Chiang Mai Initiative (CMI) (2000) as a framework to contain financial crises, the Asian Bond Markets Initiative (ABMI) (2002) for development of local financial markets, and the agreement to conduct in-depth research on the feasibility of the Asian Currency Unit (ACU) (2006) for management of currency volatility (exchange rate and currency arrangement).

Apart from more formal and institutionalized form of regional economic cooperation in contrast to the informal and loose one before the AFC, what is most critical of this regional development is the exclusion of the U.S. from all these regional economic

---

<sup>1</sup> Dobbin 1994, 14. Parenthesis added.

<sup>2</sup> Grimes 2009.

<sup>3</sup> Ibid., 2.

<sup>4</sup> By East Asian states I mean in this paper ASEAN plus Three (China, Japan, and Korea) countries that have collectively made substantial degree of regional economic cooperation.

institutional building efforts.<sup>5</sup> In other words, East Asian states, for the first time in a long while, have started to define Asia or East Asia without the make-up of the Asia-Pacific in their efforts at regional institutional buildings. In terms of levels of “regionness,” the post-crisis Asia seems to have moved from “regional complex” to “regional society/regional community” capable of “articulating the transnational interests of the emerging region.”<sup>6</sup>

What explains the development of the exclusive East Asian financial regionalism? Is it a result of East Asian states’ attempts to balance against the U.S. to adjust the change in the distribution of international/regional power structure and/or relative gain in the wake of the Asian financial crisis, as neorealists would have us believe? Or, is it the product of either East Asian states’ attempts to reduce transaction and information costs associated with their intraregional economic interdependence or of private sectors’ (big business) pressure, as neoliberals would claim?

Although these rationalist accounts are suggestive, they are not empirically corroborated.<sup>7</sup> Rationalist account cannot capture the timing and content of emerging East Asian financial regionalism. First, there have not been any meaningful indications of changes that occurred in the military and economic power structure of the region before and after the AFC.<sup>8</sup> Second, because of the negative effects of economic difficulties accrued during the crises, the share of the intraregional trade for East Asia has declined in

---

<sup>5</sup> Also excluded are such other Western members as Australia and New Zealand, which have been active in the Asian Pacific Economic Cooperation (APEC).

<sup>6</sup> Hettne and Söderbaum 2000, 3-4. According to Dieter and Higgott (2003), Asian “monetary” regional integration does not follow trade-driven conventional regional integration process. See also Pempel (ed., 2004) for the urge that we have to understand Asian regionalism (or regionalization process) on its own terms.

<sup>7</sup> Due to space limitation, I briefly point out the shortcomings of each rationalist approach.

<sup>8</sup> Ravenhill 2002, 169-172.

the post-crises era while overall export performance of each state in the region has risen consistently. This simply means that Asian states have relied more on external markets for their exports. As such, this “material” incentive for interregional trade could have led them to pursue a regional arrangement that would include as many an important external trading partner as possible in an attempt to capitalize on their markets. The exclusion of the U.S. would not be a logical conclusion threaded from this line of analysis. Lastly, the domestic interest group version of neoliberalism<sup>9</sup> does show the limitation to account for the exclusion of the U.S. Private sectors in the region have been at best ambivalent about their governments’ initiatives on exclusive regional groupings.<sup>10</sup> Moreover, the prime drivers of the post-crisis regional integration pushing for the desirability of a more intensified government-involved regional institutionalization have been policy elites comprising government officials and members of epistemic communities.<sup>11</sup>

---

<sup>9</sup> Moravcsik 1997.

<sup>10</sup> Hund 2003; Ravenhill 2003, 173-174. See Frieden (1991) for the influence of sectoral pressures on states’ policy toward monetary regional cooperation.

<sup>11</sup> Tsunekawa 2004. See also Bowles (2002) and Amyx (2004a) for similar observations. Bowles even challenges the conventional understanding of the market-driven precrisis Asian regionalization. Bowles says (2002, 246), “These analyses [the market-driven view] tended to overstate the role of ‘the market’ in fostering integration in region. They present us with some of a paradox in that most of them accept that [Asian] national economies can be described as ‘developmental states’ where governments play key roles in ‘guiding the market’ but where, it seems, inter-national and intra-regional integration are played out beyond the reach of the state. Such a paradox is, in fact, a false one and is solved by a better appreciation of the role that the state played in fostering intra-regional trade and capital flows.”

Building on previous constructivist works that emphasize the importance of the perception and the decisive role of the Asian financial crisis in directing the post-crisis East Asian regionalism (i.e., the politics of resentment on the part of the crisis-affected Asian countries for U.S./IMF neoliberal intrusion of their political economy and domestic governance systems<sup>12</sup>),<sup>13</sup> I account for the development of the exclusive East Asian financial regionalism by demonstrating the linkage between the particular forms of regional institutional development and the perceptions and self-understanding of relevant regional actors. As discussed below, however, previous constructivist studies tend to fall short of clearly identifying the *content* of shared regional identity (or regional collective selfhood), which serves as the underlying historical ground/logic (or “constitutive rule”<sup>14</sup>) upon which the post-crisis East Asian regionalism has been institutionalized at the expense of U.S. membership. As a result, this underspecification has not been helpful in both explaining where the post-crisis East Asian regionalism came from and capturing *what is needed* to make reasonable prediction on where it is likely to be institutionally headed.

I attempt to fill this gap by taking a historically sensitive evolutionary perspective of East Asian financial regionalism that highlights the processual, interactive development of the kind of collective self-understanding, solidarity, or groupness that can make collective action possible in a certain way over others. In so doing, I employ a combination of induction and deduction. Analytical steps taken in this paper are as follows: I do not a priori assume the existence of a certain identity conception shared among East Asian states. Instead, with the method of induction, I analyze a series of East Asia states’ confrontation

---

<sup>12</sup> Higgott 1998. Stubbs 2002.

<sup>13</sup> Calder and Ye (2004) use the concept of “critical juncture” to capture the role of the Asian financial crisis in “narrowing the organizational gap” (by the post-crisis Asian institutional buildings, such as APT and the Chiang Mai Initiative).

<sup>14</sup> Onuf 1989.

with the U.S. in various regional forums to uncover the content of an emerging regional collective identity shared among East Asian states. My finding suggests that East Asian states have confronted the U.S. in their collective understanding of the legitimate role of the state in instituting and safeguarding the so-called self-regulating market for economic development and stability.

From this inductive observation, I deductively posit that this shared “economic policy paradigm,” defined here as “the institutionalized principle(s) of policy action that structure the very way in which policy-makers see the world and their role within it,”<sup>15</sup> has shaped the development of East Asian financial regionalism in the way it has been. In other words, I try to demonstrate that this “institutional rationality” embodied in economic policy paradigm (historically and culturally developed cause-effect designation about economic governance<sup>16</sup>) informs Asian states of the conception of *rational* economic order that manifests in the form of exclusive monetary cooperation. I illustrate this theoretical underpinning by examining the ways in which the CMI (2000) has developed over the last nine years since 2000. The Chiang Mai Initiative is regarded as the most important institutional development that defines the post-crisis Asian monetary cooperation.<sup>17</sup> For specific empirical discussion, I develop below a couple of testable hypotheses drawn from the inductive observation as noted earlier.

---

<sup>15</sup> The definition comes from the combination of Peter Hall’s (1992) notion of “policy paradigm” and Dobbin’s notion (1994) of “industrial policy paradigm.” According to Dobbin (1994, 19), policy paradigm comprises “both practices, in the form of policies, and means-ends designations, in the form of the tenets of governmental action.”

<sup>16</sup> “Institutional rationality” is conceptually similar to Dobbin’s notion of “cultural rationality.” In Dobbin’s words (1994, 2), “[N]ational traditions influence policy-making by contributing to collective understandings of social order and instrumental rationality. History has produced distinct ideas about order and rationality in different nations.”

<sup>17</sup> This working paper is part of a larger book-length project that encompasses the CMI, the ABMI, and the ACU as noted earlier.

In so doing, I also aim to make a theoretical contribution to the existing literature of constructivism. To my knowledge, the current status of constructivism in the study of regional integration falls short of offering a conceptual apparatus (and conceptual vocabulary) that helps shed light on a mechanism through which collective identity-driven institutional rationality is translated into or shapes the concrete institutionalization of regional integration. As a way to account for this theoretical gap, I draw on theoretical insights from organizational institutionalist literature that explains how institutional change occurs in the interplay of regulative, normative, and cultural-cognitive dimensions of a given institution.

To clarify the scope of my arguments, I discuss here what this paper does not do below. There are three interrelated issues to be clarified. I do not claim to offer the airtight linkage between collective identity-driven institutional rationality and the particular institutional shape of, say, the CMI. Since this paper does not engage in the detailed dynamics of East Asian states' negotiations in institutionalizing the CMI, my claim cannot but be modest. As such, my empirical and theoretical arguments are limited to identifying the *parameters* of the institutional preferences informed by the emerging East Asian collective self-understandings. I use the development of the CMI in a suggestive manner. Relatedly, I do not make any claim about the "real" intention/motivation of East Asian states' identity discourses when I analyze them. This question is pertinent, but, for this paper that aims to uncover the institutional parameters and their associated applications to the development of the CMI, the issue goes beyond the scope of this paper. This will be done in the future by studying the actual bargaining and negotiation processes. Lastly, given the emerging and still contingent nature of regional institutional buildings in the

post-crisis East Asia, the implications borne out of this study for the future of East Asian financial regionalism are nothing but speculative. It is precisely because doing so demands that we come to closure on issues that we are only just beginning to grasp.

That said, this paper proceeds as follows. Section II suggests a more specified version of Constructivism in analyzing the institutionalization of regional integration through the politics of inclusion and exclusion. Section III inductively uncovers the content of an emerging East Asian regional identity upon which the U.S. is excluded from the post-crisis East Asian regional institutional buildings. Section IV studies the emergence and development of the CMI in light of collective identity-driven institutional rationality developed in Section III. Section V concludes the paper with a few reflections on the future development of East Asian financial regionalism and the role of U.S. in it.

### **Identity as Regional Boundary Marker**

In constructivist theorizing of regionalism, regionalism essentially involves the politics of identity (or the politics of “historically variable relational embeddedness” in Somers’ words<sup>18</sup>). On the one hand, regions are politically and socially constructed and contested. They are not the outcomes of the naturally given. On the other hand, any regionalism inevitably draws lines, creating borders between members and nonmembers. In other words, the establishment of the self is always practiced by drawing the boundaries of the self in relation to significant others. Regionalism needs a boundary to differentiate insiders (members) from outsiders (non-members). A regional sense of “we-ness” demarcates insiders from outsiders and determines the boundaries of the region. As such, a sense of “we-ness” is empirically observable from the politics of inclusion and exclusion

---

<sup>18</sup> Somers 1994.

in the formative processes of the establishment of the regional boundaries.<sup>19</sup> As Pempel notes, regions “vary with the policy issues that confront a region.”<sup>20</sup>

In this constructivist vein, quite a few studies indeed tackled the puzzle of the exclusive form of the post-crisis Asian regional institutional building processes. For example, Higgott, Bergsten, Dieter and Higgott, Stubbs, Terada, and Yu all identify the ASEAN plus Three (APT) process as a clear, institutional manifestation that reflects a deepening sense of regional “we” consciousness in a more tightly defined East Asian context.<sup>21</sup> They commonly point to the importance of these states’ shared experience of the Asian economic crisis, which is inseparable from their “shared” resentment at the U.S.-led IMF responses to the crisis.<sup>22</sup> The Asian economic crisis fostered a sense of common identity, and Asian states’ new quest for the exclusive form of East Asian regionalism after the crisis is anything but the effect of the consolidated East Asian regional identity on Asian states’ interests and strategies. This positive correlation seems to offer a better explanation for East Asian states’ increased interests in the exclusionary East Asian regionalism.

Constructivist scholarship on East Asian regionalism, however, has not so far offered a shared consensus on what *constitutes* “East Asia,” a regional identity construct that has a significant causal power on the formation of East Asian regionalism.<sup>23</sup> If

---

<sup>19</sup> For identity-based constructivist theorization of the formation of international (regional included) institutions, see Wendt 1994; Checkel 1999; Cronin 1999.

<sup>20</sup> Pempel 2004, 25.

<sup>21</sup> Higgott 1999; Bergsten 2000; Dieter and Higgott 2002; Stubbs 2002; Terada 2003; Yu 2003.

<sup>22</sup> For the politics of resentment, see Higgott 1998 and Hughes 2000.

<sup>23</sup> The factors underlying the formation of a specific East Asian identity so far suggested are as follows: common recent historical experience (i.e., colonial experience and the surge of nationalism); some key common cultural traits (i.e., the acceptance of hierarchy and a respect for authority); similar distinctive economic institutions and approaches to economic development (developmental states); cross-cutting patterns of FDI; a specific regional form of capitalism (Asian state-led capitalism); and Asian values/Asianness (as opposed to Western liberal political values). See, for example, Dieter and Higgott 2002,

Katzenstein is right in suggesting that “regions are social and cognitive constructs that are rooted in political practice,”<sup>24</sup> the clarification of the *content* of such a shared identity as “East Asia” is indispensable to providing the basis for the nature of Asians’ attempts to exclude the U.S. from their regional institutional building efforts. As developed in an identity-based causal model elsewhere in constructivist scholarship, the content of East Asian identity is the fundamental source of the causal relationship that critically affects states’ decision as to on what basis to pursue regional integration with whom.<sup>25</sup> In other words, the content of East Asian identity gives a directionality of whom to include and exclude in the region. As such, the current status of constructivist scholarship on East Asian regionalism, which shies away from stating the content of East Asian identity in a compelling fashion, provides no credible *empirical* basis upon which a sense of East Asian collective identity distinguishes “us” from “them” in constructing the exclusionary regionalism. All in all, if one agrees with Bowles on characterizing the post-crisis Asian regionalism as “bringing the state back in, keeping [United] States out,”<sup>26</sup> one has to locate a firm ground upon which this has been taking place in the post-crisis Asia. The content of East Asian identity is a “generative grammar” or “taken-for-granted constitutive rule” that guides the operation of the structure of identity and interests.<sup>27</sup>

Furthermore, the current status of constructivism in the study of regional integration has yet to offer an apparatus that conceptually links between collective identity-driven

---

32; Stubbs 2002, 444-445; Terada 2003, 253-256; Yu 2003, 276-283; Nabers 2003, 124-129; and Oga 2004, 300-302.

<sup>24</sup> Katzenstein 2003, 105. More recently, Katzenstein (2005) suggests three approaches to defining regions, materialist (geopolitics), ideational (critical theories of geography), and behavioral, the last of which means that regions are basically what they politically, socially, and economically do. One notable “behavioral” example from Katzenstein is Greater Caribbean region for slave trade, which flourished between the seventeenth and the nineteenth century, but no longer exists.

<sup>25</sup> Berger 1998; Abdelal 2001; Abdelal, Herrera, Johnson, and Martin 2001; Hopf 2002; Lee 2006.

<sup>26</sup> Bowles 2002.

<sup>27</sup> For the discussion of the structure of identity and interests, see Wendt (1992) and Rodney Hall (1999).

institutional rationality and the concrete institutionalization process of regional integration. In this regard, the theoretical insights from organizational institutionalist literature are useful to establish such a conceptual linkage in *sequential* terms.

According to Scott, for example, an institution consists of three basic dimensions, namely regulative, normative, and cultural-cognitive dimensions. The regulatory dimension entails legal, constitutional, and other rules that constrain and regularize behavior. The normative dimension consists of principles that prescribe the goals of behavior and the appropriate ways to pursue them. The cultural-cognitive dimension involves the culturally shaped, taken-for-granted assumptions about reality and the frames through which it is perceived, understood, and given meaning.<sup>28</sup> As such, when one tries to explain institutional change, one has to be specific about which dimension of the institution is under investigation for the clear analytical and empirical focus associated with the different methods of data gathering.

What is intriguing about this three-dimension analysis for this paper's purpose is the sequential relations of the three dimensions that lead to institutional change hypothesized and tested by organizational institutionalists. Campbell, for example, specifies that institutional change tends to start from the change in the cultural-cognitive dimension, which in turn leads to the change in the normative and regulative dimensions of the institution.<sup>29</sup> Here, the content of collective identity is regarded as important as one type of the cognitive framework that affects how actors perceive their interests as they build institutions.<sup>30</sup> Campbell offers one such example from Hattam's work that

---

<sup>28</sup> Scott 2001, chapter 3.

<sup>29</sup> Campbell 2004, 69-74 and 145-151.

<sup>30</sup> Brubaker (2004) offers a cognitive perspective on ethnicity, which can be useful for the conceptualization of region as well. Brubaker (2004, 81) says, "ethnicity and nation [region] are ... ways of seeing the world.

demonstrates the sequential change from the cultural-cognitive to the regulatory institutional dimension. To quote it at length:

For example, Victoria Hattman (1993), analyzed changes in U.S. labor movement showing that one reason why unions redirected their efforts to advance workers' interests from legislatures and courts to the shop floor and factory gates was that their identity as a class changed. During the early nineteenth century, they viewed themselves in republican terms as a class that included both workers and other productive economic actors, including manufacturers and industrialists. Hence, they pursued their interests, just as business did, through the legislatures and courts, often seeking equal protection under the law. But after the civil war, unions redefined themselves in more modern terms as representatives of a proletarian class whose interests were diametrically opposed to those of the business community. Thus, they confronted capitalists in the factories to advance their interests and shifted their energies from trying to influence one set of institutions, the law, to another set of institutions, formal labor-management agreement.<sup>31</sup>

As such, if one broadly conceptualizes East Asian financial regionalism as an example of the institutional change from the inclusive (or open) to the exclusionary regionalism, this sequential insight from organizational institutionalist literature (along with the three conceptual dimensions of institution) gives one a good piece of theoretical and empirical guidance for his/her research. Theoretically, the sequential insight offers a more specified testable or trackable hypothesis for the relationship between collective identity-driven institutional rationality and the concrete institutionalization process of the exclusionary regional integration. Empirically, the three conceptual dimensions inform what and how one should look for the evidence. In the case of the cultural-cognitive dimension, for example, one needs to empirically track the dominant discourse and thought of, say, Asian policy elites to determine how their cognitive conceptions of East Asia and the U.S. have changed. In the case of the regulative dimension, one needs to pay close attention to the institutionalization of the formal means (i.e., regulations, rules, and

---

They are ways of understanding and identifying oneself, making sense of one's problems and predicaments, identifying one's interests, and orienting one's action." Parenthesis added.

<sup>31</sup> Ibid., 97-98.

enforcement procedures) of regional integration, such as the development of the Chiang Mai Initiative.

In what follows, I attempt to empirically show the validity of the sequential framework. Noting that the previous studies' underspecification of the content of East Asian identity is due largely to their failure to situate the formation of East Asian self-understanding in historically specific relational settings (or issue-specific relational settings), I offer the content of an emerging, regionally shared identity called "East Asia" in the sphere of regional economic integration (the cultural-cognitive dimension). This effort would eventually help to address my central research question of what explains the emergence and development of East Asian financial regionalism. Then, I link the cultural-cognitive dimension and the regulatory one by illustrating the development of the CMI since 2009 with specific, testable hypotheses.

### **Uncovering East Asian Regional Identity**

In this section, I aim to empirically uncover the content of East Asian identity that generates the exclusion of the U.S. from the post-crisis Asian regional institutional building processes.<sup>32</sup> Since the content of identity is socially and discursively constructed in relation to that of another identity construct in a given issue area, I present an analysis of how an identity of East Asia (or Asia) has been discursively produced and reproduced in relation to the U.S. (or the West) by Asian political elites who spearheaded the formation of the post-crisis Asian regionalism.<sup>33</sup> A method of inductive uncovering of the

---

<sup>32</sup> This section builds on Kim and Lee (2004).

<sup>33</sup> In conducting discourse analysis below, the question of whether speakers really mean what they say (the deeper intentions of the speakers) is not important here (although it is pertinent). As noted at the outset of this paper, I am more concerned with the question of how meaning (associated with collective identity) is generated, structured, and shared among the relevant actors. See Waever (1995) for his discussion on the advantage of discourse analysis for this type of analysis over psychological approaches studying perceptions and beliefs.

content of East Asian identity is to find a “(common) generative grammar” upon which East Asian states coalesced in confronting the U.S. in various regional forums. By analyzing a series of East Asian states’ resistances to U.S. (or Western) imposition of “disembedded” liberalism<sup>34</sup> onto Asia and their discursive legitimation of those resistances, I demonstrate that the content of East Asian identity shared among East Asian states (ASEAN plus Three) is embedded in their shared understanding of the legitimate role of the state in instituting and safeguarding the self-regulating market. U.S. imposition of “disembedded” liberal order onto East Asia throughout the 1990s has played a pivotal role in differentiating insiders from outsiders, thus creating a space for the development of such a shared regional identity as East Asia that believes in governments assuming much more direct responsibility for economic development and stability.<sup>35</sup> In empirical analysis to follow, I sketch out three key events that have shaped the emergence and consolidation of East Asian identity: APEC Osaka meeting in 1995, Japan’s AMF proposal in 1997, and the development of ASEAN plus Three (APT) in the post-crisis period.

#### APEC Osaka Meeting and Asian Coalition

Since the APEC came into being in 1989, a difference of emphasis (if not a conflict of interests) on the main institutional purpose of the APEC between the U.S. and Asians member states has been observed. While the U.S. prefers to use the APEC as a forum that facilitates trade and investment liberalization processes by negotiating binding trade and investment rules, Asian states assign a relative weight to APEC’s role of development cooperation.<sup>36</sup> The U.S. increasingly pushed for the institutionalization of the APEC along liberal lines in the early 1990s, and its efforts bore a fruit with the Bogor Declaration in

---

<sup>34</sup> Polanyi 1944; Ruggie 1982.

<sup>35</sup> Amsden 1989; Wade 1990 and 1996; World Bank 1991 and 1993.

<sup>36</sup> Funabashi 1995; Baker 1998; Tussie 1998;

1994 that laid out a liberalization timetable for member states. The Bogor Declaration was, however, not wholeheartedly entertained by every member state. For example, Malaysia, Thailand, and China (along with some other states) did not hesitate to express their reservations about the declared liberalization processes. Japan and the Philippines were not enthusiastic about it. In this context, Japan hosted the APEC Annual Meeting in Osaka in 1995. The major issue in Osaka was whether or not to further expand and spell out more specific goals for the APEC liberalization processes that had gained a sizable momentum from the Bogor Declaration. Many Asian member states became increasingly wary of U.S.-led liberalization agendas that essentially meant the considerably reduced role of the state in organizing both international and domestic economic activities. As such, the choice presented for member states in the Osaka meeting was whether to endorse U.S. (or Western) free market ideals.<sup>37</sup> Depending on the negotiated outcome(s), the Osaka meeting could have been a defining moment not only for the future of the APEC in terms of the main institutional purpose, but also for Asian regionalism; liberalization or development cooperation?

What came out of the Osaka meeting was the first, embryonic form of East Asian developmental alliance that “succeeded in eviscerating virtually all traces of the type of liberalization program sought by the United States.”<sup>38</sup> Instead of a more structured, rule-binding liberalization processes advocated by the U.S. and Australia, the liberalization process that emerged from the Osaka meeting was “voluntary, unilateral, consensus-based, non-binding, lacking common timetables, and uncertain as to comprehensiveness and comparability of members’ effort.” Apart from ASEAN countries, China, Japan, and

---

<sup>37</sup> Johnstone 1995a and b.

<sup>38</sup> Rapkin 2001, 389.

Korea (Plus Three members) joined their forces to restore balance to the overall APEC agenda, which they claimed had become too heavily skewed toward liberalization. In effect, Yoshiro Sakamoto, vice-minister of international affairs of the MITI, argued that “Japan should keep step with the rest of Asia by agreeing only to those U.S. proposals that are acceptable to the whole of Asia.”<sup>39</sup> According to an internal MITI memo, the economic liberalization initiated and pushed by the U.S. seems to be “forcing Minor league players to play in Major league games.”<sup>40</sup>

These sorts of confrontation between Asian member states and Western member states on the main institutional purpose of the APEC have been continuing until today. As Berger puts it, one of the principal reasons for APEC’s failure to fulfill the hopes of its supporters has been its inability to accommodate and represent the very different “Asian” and “Western” impulses contained within it.<sup>41</sup> The importance of these confrontations lies in sowing the seeds for developing a regional identity as East Asia, as Asian member states socially and materially interacted with their Western members, notably the U.S. As Webber aptly puts it, “the creation of an at least limited sense of identity among East Asian states can be attributed to the perception of sharing a common opponent in APEC conflicts.”<sup>42</sup> The Osaka meeting provided a venue for registering an embryonic, intersubjective understanding of what constitutes “East Asia (or Asia)” among the future ASEAN plus Three members. If Mahathir’s earlier East Asian Economic Grouping (EAEG) proposal “removed the taboo” on the Japanese Greater East Asian Co-prosperity

---

<sup>39</sup> Cited in Rapkin 2001, 400.

<sup>40</sup> Cited in Oga 2003, 304. On the same page, Oga cites another diplomat as saying, “the U.S. has neither the will nor the ability to liberalise further. They still have a 30 to 40 per cent tariff on textiles, 25 per cent on trucks, and double-digit percentages on glass. They have continued to protect these areas.”

<sup>41</sup> Berger 1999.

<sup>42</sup> Webber 2001, 357.

concept, the APEC ironically provided the venue for “rediscovering” and “reasserting” “Asianness.”<sup>43</sup>

### The Asian Monetary Fund

As noted above, the most important change in Asian regionalism after the Asian financial crisis is the emergence of an Asia-only form of regional economic cooperation that excludes the U.S. In this context, the significance of Japan’s Asian Monetary Fund proposal (with support from Asian states), which was announced by Japanese Finance Minister at the Annual Meetings of the World Bank and the IMF on September 21, 1997, is the proposal’s intentional exclusion of the U.S. from AMF membership. Why did Japan propose the creation of the Asian Monetary Fund? What was the basis upon which Japan excluded the U.S. from membership? Why did Asian states support Japan’s initiation?

As I argued elsewhere,<sup>44</sup> the immediate cause of Japan’s AMF proposal lies in Japan’s interest (as a leader of state-led economic development model) in defending the Asian model of economic development against the U.S.-led IMF bailout operation in Thailand. But Japan’s confrontation with the IMF did not come automatically, as evident in Japan’s insistence that Japan provide the Thai government with its financial assistance on condition that the Thai government would seek the IMF help first. Japan’s serious consideration of creating the AMF came only *after* “the discursive demolition of the Asian development model (‘crony capitalism’)” by the U.S. Treasury Department (Robert Rubin and Lawrence Summers) and the IMF.<sup>45</sup> Summers, for example, asserted that “the problem with this model of economic development is that while it is was built on the fundamentals-on high savings, high levels of education, and hard work...[it]...favored

---

<sup>43</sup> Oga 2004, 305-307. Similarly, see Terada 2003.

<sup>44</sup> Lee 2006.

<sup>45</sup> Hall 2004.

centralized coordination of activity over decentralized market incentives. Governments targeted particular industries, promoted selected exports, and protected domestic industry. There was a reliance on debt rather than equity, relationship-driven finance not capital markets, and informal rather than formal enforcement mechanisms.”<sup>46</sup> Sakakibara, vice-minister of the MOF (Ministry of Finance), who was known as the architect of the AMF proposal, recollected from his conversations with Rubin and Summers:

...I was saying from the outset that this [the Thai crisis] was a crisis of global capitalism. But in 1997, Larry’s view and Bob Rubin’s view were that it was an Asian crisis, and especially Asian policy management was the problem-Asian governments, Asian corruptions and collusions, and the Asian structured economic system, which is close to the structure of the Japanese...<sup>47</sup>

In this context, after several consultations with Asian countries, Japan (the MOF) finally decided to launch the AMF as a regional financial mechanism for quick disbursement of funds for the crisis-affected countries to be able to defend the Asian model of economic development against the U.S.-led IMF’s imposition of neoliberal economic order onto Thailand and the other affected countries. But once Japan’s ideas of excluding the U.S. from the AMF got circulated, Japan faced strong opposition from the U.S. and the IMF even before its official proposal for the AMF on September 21, 1997. Such staunch opposition from the U.S. and the IMF was offset by enough encouragements from the Asian states. Japan went ahead without any modification in the membership (ASEAN plus Three states included), and Japan’s finance minister (Hiroshi Mitsuzuka) officially proposed to create the AMF at the Annual Meetings of the World Bank and the IMF. And both Mitsuzuka and Sakakibara emphasized that the AMF would have a “unique” focus on the Asian countries’ “specific” needs. Sakakibara later noted that the

---

<sup>46</sup> Summers 1998.

<sup>47</sup> Interview with Sakakibara, May 15, 2001, PBS.

exclusion of the U.S. was intentional so that the “Asian” leaders could discuss regional financial problems without U.S. pressure<sup>48</sup> and that “it was the desire to create an policy alternative to the IMF prescription that motivated the proposal to create the AMF.”<sup>49</sup>

The AMF was not realized in the end as Japan finally retracted it at a meeting of finance and central bank governors from fourteen Pacific Rim countries in Manila on November 18 and 19, 1997. But the importance of Japan’s AMF proposal spurred by Asian states’ support deserves a special attention for the current discussion of the development of the content of East Asian identity. This event brings to the fore a concrete manifestation of the source of a regional identity that demarcates insiders from outsiders. By excluding the U.S. from membership, it *reconstituted* the boundaries of the region since the first attempt in 1990 by Mahathir, Malaysian Prime Minister. The original members of the AMF now constitute the ASEAN plus Three and made a first step toward the AMF in the form of bilateral swap arrangements among central banks called “Chiang Mai Initiative” on May 6, 2000.

### The ASEAN plus Three

With the advent of the ASEAN plus Three (the APT) in 1997, a certain hierarchical structure of East Asian regionalism has emerged. While the ASEAN plus Three as intra-regionalism (an Asian-only form) is designated as the head of the agenda, the APEC as interregionalism comes to occupy the second place in the sphere of economic cooperation.<sup>50</sup> However, the ASEAN plus Three fora began quiet modestly. For example, no joint statement was made by its first Informal Summit Meeting in 1997 in Kuala Lumpur, and the term “ASEAN plus Three” itself was cautiously and rarely used in the

---

<sup>48</sup> Interview with Sakakibara, cited in Katada 2001b: 11, footnote 26 in particular.

<sup>49</sup> Sakakibara 2001, 2.

<sup>50</sup> Liu and Regnier 2003, xxiv.

first two meetings. It was not until the 3<sup>rd</sup> Informal Summit Meeting in Manila, November 1999 that the “Joint Statement on East Asia Cooperation” was issued for the first time by the thirteen heads of governments.<sup>51</sup> Of course, the Asian financial crisis provided an essential foundation in the form of a common experience for enhancing the significance of the APT process. Then, what would be the common experience that encouraged the momentum to precipitate the exclusionary character of East Asian financial regionalism?

As alluded in my discussion on the AMF and noted by many scholars, the common experience that fostered a sense of common identity (East Asian identity) was East Asian states’ shared “image of the region in adversity besieged by outsiders ‘ganging up’ in their attempts to exploit the difficulties that East Asian governments faced.”<sup>52</sup> As Higgott aptly puts it in his discussion of “the politics of resentment,” “Most East Asians feel that they were both let down and put down by the West.” And at the center of this humiliation lies in Western replacement (or reconstitution) of *older* social forms, such as “developmental states” and “East Asian miracles” with *newer* social forms, such as “corrupt” practitioners of “crony capitalism.” The U.S.-led IMF associated the Asian development model as “crony capitalism,” thus normatively, if not empirically, delegitimizing the Asian model while normatively, if not empirically, privileging market-based processes and outcomes.<sup>53</sup>

As such, the U.S.-led IMF’s discursive (and material) demolition of the Asian economic model in terms of “us” and “them” in a binary fashion generated the reversed version of “them” and “us” on the part of East Asian states on the same ground, which had been gradually fermenting through the confrontations at the APEC. The remark by the Thai Deputy Prime Minister Supachai reflects this binary structure of identities when he

---

<sup>51</sup> Terada 2003, 264.

<sup>52</sup> Ravenhill 2002, 175.

<sup>53</sup> Hall 2004, 3.

said that “We cannot rely on the World Bank...the International Monetary Fund but we must rely on regional cooperation.”<sup>54</sup> Japanese finance minister Miyazawa firmly stated that “after the Asian crisis, Asian countries began to doubt the benefits of trade liberalization and that the APEC should answer this doubt.”<sup>55</sup> Sakakibara goes even further by arguing that “if East Asia does not want to be divided and ruled as in the colonial days and in the *more recent* past, *we* need to form some types of regional cooperation of *our* own.”<sup>56</sup> In late 1998, Korean Prime Minister Kim Jong Phil called for an independent Asian Monetary Fund by endorsing the “Asian development model.”<sup>57</sup> Korea’s President Kim Dae Jung claimed that the APT “would also be able to speak for the region in discussions with other major economic blocs, such as the European Union and the North American Free Trade Agreement. Why should Asia, alone among the ‘three poles’ of the global economy, not have its own grouping?”<sup>58</sup> In the fourth APT Summit in Singapore in November 2000, Singaporean Prime Minister Goh also claimed in his statement that what was important was that the leaders of the thirteen countries were starting to think as “East Asian.”<sup>59</sup> Two quotes may summarize the emerging sense of East Asian identity with its cultural-cognitive dimension.

If *we* are lax in these efforts [APT process] towards integration, *we* may invite more region-wide upheavals similar to the currency crisis. It is therefore important to understand how and in what sense this region, including Japan, is a community with common fate.<sup>60</sup>

---

<sup>54</sup> Cited in Yu, 2003, 284.

<sup>55</sup> Cited in Yu, 2003, 284.

<sup>56</sup> Sakakibara 2001, 7 (italics added).

<sup>57</sup> Cited in Sohn 2005, 491.

<sup>58</sup> *Asiaweek*, December 10, 1999. Furthermore, Sagong Il, chairman of the Korean Institute for Global Economics (the former economic advisor to President), claimed at the Chiang Mai meeting that “We need some kind of defense mechanism. Since not much is expected to be done at the global level, something should be done at the regional level.” *Financial Times*, May 6.

<sup>59</sup> Cited in Soesastro 2001, 2.

<sup>60</sup> Japan’s Ministry of Foreign Affairs (1999) cited in Nabers 2003, 121. Italics added.

There was much talk of the twenty-first century becoming the Asian century... The countries of *East Asia* continued with *their ways of developing their economies*... They were going to grow and they were going to continue to challenge the West... there is no reason why we should believe that what is being propagated by the West now – liberal democracy, free markets, a borderless world etc. would do any better in the long run.<sup>61</sup>

As discussed above, I have so far empirically uncovered the content of an East Asian identity that generates the exclusion of the U.S. from Asian regional institutional buildings in the wake of the Asian financial crisis. The process of an emerging sense of East Asian identity in regional economic integration seems to have the quality of Peter Hall's notion of "a funnel of causation, in which a broad interpretation of major events and an associated set of preferences are developed in tentative terms and then consolidated as successive experiences are interpreted in the same terms."<sup>62</sup> As much as East Asian identity is defined and discursively constructed in relation to the U.S. on the grounds of proponent and opponent of the U.S.-led "disembedded" liberalism, the very discursive condition that generates East Asia identity has an effect of excluding the U.S. from Asian regional institutional building processes. Ultimately, policy preference formation is "a process in which experience and interpretation intertwine."<sup>63</sup>

A testing ground for the empirical outcome can be done by analyzing the regional policy statements and initiatives launched by regional political elites. If the above analysis is valid in locating "the cultural dimension of regional institution buildings," I expect that those policy initiatives for East Asian financial regionalism ("the regulatory dimension of regional institutional building") would focus on developing regulatory mechanisms that would enhance (not reduce) the role of the Asian states in managing their participation in

---

<sup>61</sup> Mahathir (2000) cited in Oga 2004, 301. Italics added.

<sup>62</sup> Peter Hall 2005, 153.

<sup>63</sup> Ibid., 152.

the global political economy.<sup>64</sup> Jayasuriya's concept of "regulatory regionalism" may capture the post-crisis regional institutional building efforts.<sup>65</sup> Building on Jayasuriya, Higgott suggests that regulatory regionalism "links national and global understandings of regulation via the region as 'meso' level."<sup>66</sup> Thus, regional policy coordination from regulatory regionalism is likely to be delegated to the state in a sovereignty enhancing way with emphasis on "a strong relationship between state form, the global economic and political orders and the emerging regional governance."<sup>67</sup>

It is too early to confidently assess if the post-crisis Asian monetary/financial cooperation (or monetary/financial institutional buildings) has moved in the direction of regulatory regionalism. Regional initiatives are still developing and being proposed. As such, below I give a preliminary evaluation to the empirical expectation made above by illustrating the emergence and development of the CMI, as one important example of the post-crisis Asian monetary/financial cooperation. I do so with three specific hypotheses drawn from the "shared economic paradigm" observation. *First, one expects to observe the continued exclusion of the U.S. from membership in the development of the CMI. Second, policy initiatives for East financial regionalism would focus on developing regulatory mechanisms allowing for the role of the state in managing U.S.-led globalization, such as*

---

<sup>64</sup> Vogle's (1996) concept of "re-regulation" is useful here. Domestically, I expect to observe the similar "re-regulation" policy-makings in Asian states, the study of which is beyond the scope of this paper. Amyx (2004a, 14) offers a compelling account of the increased role of the Thai government in re-regularizing the Thai economy by using state-owned banks rather than normal deficit financing to fuel economic activity.

<sup>65</sup> Jayasuriya (2004) in Higgott 2006. In this respect, Hiwatari's (2003) attempt to deduce national policy preference for the forms of regional monetary cooperation from the concerned country's financial system structure (security-market-based or bank-credit-based) and external balance positions (capital-dependent or capital-sufficient) can be potentially incorporated into the collective, aggregate policy preference of East Asian states, as they all rely on bank-credit-based financial systems (this is a major characteristics of the so-called "the developmental state").

<sup>66</sup> Ibid., 14. A similar point is made by Sohn (2005).

<sup>67</sup> Higgott 2006, 14.

*mechanisms for monitoring capital flows and surveillance. Lastly, The CMI should continue to shift away from its IMF link in lending practice.*

### **Chiang Mai Initiative**

In May 2000, at the ASEAN+3 (APT) Finance Ministers Meeting in Chiang Mai, Thailand, the finance ministers of ASEAN, China, Japan, and Korea made it public that they had agreed to exchange data on capital flows and develop a network of bilateral currency swap and repurchase arrangements, collectively known as the Chiang Mai Initiative (CMI). Since then, sixteen bilateral swap agreements (BSA) have been concluded by 2005 and nine BSAs have been modified up to date. Moreover, the network of bilateral swap arrangements (BSA) and repurchase agreements under the CMI has grown to total of US\$ 90 billion as of April 2009 (The total size of the CMI has been increasing from US\$17.0 (2002), US\$31.5 (2003), US\$36.5 (2004), US\$52.0 billion (2005), US\$75.0 billion (2006), to US\$90 billion (2009)). Although the sheer size of each country's BSA support is insufficient compared to the commitments of the international community and IMF during the Asian financial crisis, it exceeds the amount of actual IMF disbursements as of early 1999 more than two-folds by 2005.<sup>68</sup>

**Table 1 Here.**

**Figure 1 Here.**

In the course of nine years of its development, the CMI has intensified regional monetary cooperation with added policy goals. The CMI was first conceptualized in the APT Summit in 1999 when the Asian finance ministers agreed to enhance “self-help and

---

<sup>68</sup> This is due to the fact that the total amount of the IMF packages for Thailand, Indonesia, and Korea includes the second line of defense commitments offered by the IMF.

support mechanisms in East Asia.”<sup>69</sup> As noted above, the APT Finance Ministers’ Meeting in 2000 realized this in the form of the CMI. Subsequently, the CMI arranged a network of bilateral swap arrangement among central banks of East Asian countries (ASEAN plus Three) to provide a “balance of payment support” and “short term liquidity support.” Thus, the CMI was initially envisioned as the first-order defensive mechanism that provides a foreign exchange liquidity support. As Amyx acutely notes, of importance is the latter (“short term liquidity support”) that emerged out of the Asian financial crisis experiences. Unlike a “balance of payment support” linked to the recipient country’s macroeconomic policy, in which the IMF plays a role through its conditionality principles on loan amounts, “short term liquidity support” provides a liquidity injection into the recipient country where capital is exiting rapidly without particular macroeconomic mismanagement. This provision, thus, does not require any IMF intervention.<sup>70</sup> Masaru Hayami (the Governor of the Bank of Japan), for example, delivered a rhetoric in this vein right before the APT Finance Ministers Meeting in 2000 endorsing the need for a regional cooperation mechanism within the realm of globalization:

[I]t is also true that the extent of interdependence has become more widespread and deep as witnessed by the progress of the horizontal division of labor and increased capital flows in East Asia. In addition, since the bitter experience of the currency crisis in 1997 has made us recognize the risk of spillover and contagion, I believe that momentum for actively promoting regional cooperation as a device to support globalization has steadily increased.<sup>71</sup>

Another major step was taken on May 6, 2005. The APT further strengthened the CMI at the ADB annual conference in Istanbul, not hesitating to point out that it would be

---

<sup>69</sup> Quoted in the “Joint Statement of East Asia Cooperation,” November 28, 1999; accessed at <<http://www.mofa.go.jp/region/asia-paci/asean/pmv9911/joint.html>>.

<sup>70</sup> Amyx 2004b, 211-212.

<sup>71</sup> Masaru Hayami, Governor of the Bank of Japan, at the Asian Pacific Bankers Club, March 17, 2000; the speech is quoted at <<http://www.boj.or.jp/en/type/press/koen/ko0003a.htm>>.

a “step toward multilateralization...a de facto Asian Monetary Fund may eventually be created.”<sup>72</sup> The Istanbul initiative doubled the size of currency swaps under the CMI from their current level of \$39 billion; increased the amount of emergency liquidity available without IMF conditions from 10% to 20%; and made bilateral swaps into two-way swaps, with the aim of making them multilateral in the future.<sup>73</sup> Japan led this initiative with China’s support.<sup>74</sup> Perhaps unsurprisingly, Kuroda, the New ADB President, who was among those to propose the creation of the AMF in 1997, spearheaded the Istanbul initiative. In April 2005, Kuroda created the Office for Regional Economic Integration within the ADB to facilitate a regional monetary cooperation and appointed Kawai, another proponent of the AMF, as its head. At the ADB conference, Kawai went so far as to say that “the [strengthened] CMI has the potential to become an Asian Monetary Fund.”<sup>75</sup>

On the heels of this Istanbul meeting, East Asian states’ effort to multilateralize the CMI began in earnest. From May 2006, ASEAN plus Three countries started to work on the details of multilateralizing the CMI by agreeing to discuss such key issues as the total size of the fund, the form of funding, the legal modality, procedures and voting shares, and the proportion of contribution each state makes.<sup>76</sup> On May 5<sup>th</sup>, 2007, finance ministers of ASEAN plus Three (China, Japan, and Korea) historically and unanimously agreed to launch a multilateral currency swap scheme. This scheme was to materialize by multilateralizing the Chiang Mai Initiative. At the Kyoto meeting, Asian finance ministers did not shy away from saying that the envisioned multilateral institution would be an

---

<sup>72</sup> <http://www.aseansec.org/afp/115.htm>.

<sup>73</sup> *Asia Pacific Bulletin*, May 13, 2005.

<sup>74</sup> See Chey (2009) for a detailed analysis.

<sup>75</sup> *Asia Pacific Bulletin*, May 13, 2005.

<sup>76</sup> Chey 2009, 452.

“Asian version of the IMF,” which was first proposed by Japan in 1997 at the Annual Meeting of the IMF and the World Bank in Hong Kong. Furthermore, on May 3<sup>rd</sup>, 2009, ASEAN plus Three concretized the multilateral currency swap scheme by agreeing to make it worth \$120 billion: China and Japan will equally contribute \$38.4 billion each to the making of the multilateral scheme while Korea does \$19.4 billion. The rest of the fund comes from ASEAN countries. Accordingly, voting shares were also finalized. China and Japan would have each 36 percent. Korea wields 16 percent. ASEAN countries collectively own 20 percent. The form of funding would be self-reserved reserve pooling. When it comes to the legal modality, it was decided to be a legally binding singly contractual agreement.

As such, what started out as a mere mechanism to address short-term liquidity difficulties in the region has been increasingly becoming an institutionalized framework for region-wide dialogue and cooperation that circumferences not only self-help and support mechanism, but also capital flows monitoring, policy review, coordination, and collective decision-making. In fact, East Asian financial regionalism, as it stands now, is about to bear fruit of establishing a de facto Asian Monetary Fund, as evident above. At the APT Finance Ministers’ Meeting in 2005, policy changes were focused toward measures that enhance the effectiveness of the CMI in: (1) integration and enhancement of ASEAN+3 economic surveillance into the CMI framework; (2) clear-defining of the swap activation process and the adoption of a collective decision-making mechanism; (3) significant increase in the size of swaps; and (4) improvement of the drawdown mechanism.<sup>77</sup> Moreover, the finance ministers agreed to integrate and enhance the APT’s

---

<sup>77</sup> Quoted in the “Joint Ministerial Statement of the ASEAN+3 Finance Ministers’ Meeting,” May 4, 2005; accessed at <[http://www.mof.go.jp/english/if/as3\\_050504.htm](http://www.mof.go.jp/english/if/as3_050504.htm)>.

ERPD (Economic Review and Policy Dialogue) process into the CMI framework. The APT Finance Ministers' Meeting in 2006 pushed the objectives further, adopting a collective decision-making procedure for the swap activation and initiating study to examine possible options towards an advanced framework for the regional liquidity support arrangement (CMI multilateralization or Post-CMI).<sup>78</sup> As discussed above, this multilateralizing effort made substantial institutional developments in 2009 toward an Asian Monetary Fund (fund size, contribution size, voting shares, legal modality, form of funding). What remains for a fully loaded multilateral institution are lending conditionalities for release of funds (along with the finalization of surveillance mechanism), borrowing quotas, and decision-making mechanism, for which discussion is currently under way.

In sum, the development of the CMI for the last nine years shows the two pieces of preliminary evidence for “regulatory regionalism.”<sup>79</sup> For one, one observes the CMI's gradual policy shift (the regulatory dimension) from “minimizing financial instability” (short-term liquidity provision) to “managing” regional monetary cooperation (i.e., monitoring capital flows and developing regional surveillance). For the other, one observes the incremental approach by East Asian countries in loosening their adherence to the IMF (Asian states increased the amount of emergency liquidity available without IMF conditions from 10% to 20%). If an Asian Monetary Fund is to materialize in the near future, one may expect to see the complete independence from the IMF in lending policies and prescriptions. Additionally, the U.S. has been constantly excluded from all these

---

<sup>78</sup> Quoted in the “Joint Ministerial Statement of the ASEAN+3 Finance Ministers' Meeting,” May 4, 2006; accessed at < <http://www.aseansec.org/18390.htm>>.

<sup>79</sup> Since I have not yet conducted the field work, my assessment below is only suggestive. For the future, interviews and participatory observation (I am currently working out on this possibility with the Korean government to be part of Korean delegation) will greatly strengthen or revise the discussion below.

institutional developments. Taken all together, the three hypotheses drawn from the “shared economic paradigm” observation are empirically corroborated.

Although it is not completely guaranteed at this point if the CMI eventually grows into an independent Asian Monetary Fund without a formal tie with the IMF, the movement in that direction has been noticeable from the beginning. For example, most of ASEAN members (most notably Malaysia, but not Singapore) advocated the complete independence of the bilateral swap arrangement with the IMF conditionality. According to Sohn, Japan and China emphasized the importance of forging a cooperative relationship with the IMF at an *early* stage of the BSA development to make it more credible.<sup>80</sup> The main reason/justification for their urge to retain a link to the IMF was that the region lacked any system of surveillance, which would be necessary for liquidity support. China and Japan persuaded Malaysia and other opposing members to accept the linkage of the BSAs with the IMF conditionality as a *temporary* arrangement until a formal surveillance mechanism is put in place. The opposing members agreed to the IMF linkage on the condition of establishing a study group to examine the types of monitoring and surveillance systems for an independent regional financial arrangement. Since 2001, the commissioned study groups have discussed the development of regional surveillance. In particular, the Asian Development Bank (the ADB) has supported this process and developed a prototype for a regional early warning system that might be the beginning of regional surveillance capacity.<sup>81</sup> So far, the development of a full-blown regional surveillance system is still a working project. Once it is to materialize, however, it is likely

---

<sup>80</sup> Sohn 2005, 497-498. I heavily draw on Sohn’s account for the discussion below.

<sup>81</sup> Hamilton-Hart 2005, 113.

to be the keystone in furthering a regional monetary and financial system that might reflect “regulatory regionalism” discussed above.<sup>82</sup>

### **Conclusion**

At the outset of this paper, I defined the crucial characteristic of East Asian financial regionalism in terms of its exclusionary nature, particularly intentional exclusion of the U.S., and the emergence of more formal and institutionalized regional economic cooperation. And I also broadly endorsed constructivist scholarship on the post-crisis Asian regionalism that uses an identity construct (or variable) called “East Asia” to account for the emergence of financial regionalism in the wake of the AFC. At the same time, however, I elucidated uncertainties on which the current constructivist scholarship built their identity-based causal claims. The uncertainties are due much to their failure to specify the content of such a shared identity as “East Asia,” without which the nature of East Asian states’ attempts to exclude the U.S. from their regional institutional building efforts cannot be adequately addressed. By tracking the development of East Asian identity in relation to the U.S. (or the West) in various regional settings, I find that the content of East Asian identity is associated with East Asian states’ shared understanding of the legitimate role of the state in facilitating economic development and stability. This analysis suggests that the emergence of East Asian financial regionalism is *evolutionary* rather than revolutionary. East Asian financial regionalism is anything but a product of “punctuated equilibrium” as conceptualized by many writers and pundits. As much as East

---

<sup>82</sup> If one follows the logic of this paper’s arguments, one can expect that an emerging CMI-cum-AMF would likely have its lending conditionality and prescriptions different from those of the IMF when it is to be created in the near future. The regulatory mechanisms would be unlikely to encroach upon the active role of the state in domestic economic governance. Japan’s two-step loan practice for its ODA policy emphasizing the role of the recipient government in allocating loans to the necessary places may be a window into the shape of the emerging institution’s regulatory mechanisms.

Asian identity is defined and discursively constructed in relation to the U.S. on the grounds of proponent and opponent of the U.S.-led “disembedded” liberalism, I argue that the very discursive condition that generates East Asia identity has an effect of excluding the U.S. from Asian regional institutional building efforts.

Conclusions on the future development of East Asian financial regionalism are hard because they demand that we come to closure on issues we are only just beginning to grasp. The two Western members of Asia-Pacific economic cooperation, the U.S. and Australia, have now begun to worry about the exclusionary APT that they are not a part of. In particular, the U.S. is in dilemma. On the one hand, the U.S. does not certainly want the emergence of an East Asia-only institution that would challenge the existing IMF-led financial system management with distinctive lending policies and prescriptions. As shown above, the post-crisis East Asian states want to build their own regional cooperative mechanisms in which to effectively respond to the global-regional dialectic with sufficient autonomy. Otherwise, there is no rationale behind East Asian states’ effort to build the exclusive regional monetary/financial cooperation.<sup>83</sup> On the other hand, the U.S. cannot object to its development outright. The attempt to block it may draw backlash in the form of growing anti-Americanism in the region, which may bring out an unintended consequence of tightening East Asian states further.<sup>84</sup> Given the critical influence of the U.S. on East Asian regional development in both integrative and disintegrative ways, it is not easy to predict whether or not, for example, East Asian financial regionalism would eventually grow like the EU’s monetary/financial arrangements. But what I can say from the above analysis is that the exclusionary character of East Asian financial regionalism

---

<sup>83</sup> See Pascha (2007) for a detailed discussion on this point.

<sup>84</sup> Bergsten (2007, 7) in Chey (2009, fn. 55).

might be less prone to change than before, as the change requires removing an institutionalized, shared perception that encourages the self-other distinction among members and non-members. Likewise, it may well depend on U.S. policy choice regarding the ways in which it deals with global financial crisis and its associated treatment of neoliberal economic order. Would the exclusion of the U.S. continue to be practiced in East Asia?

Table 1: Comparison of IMF Disbursement and the CMI

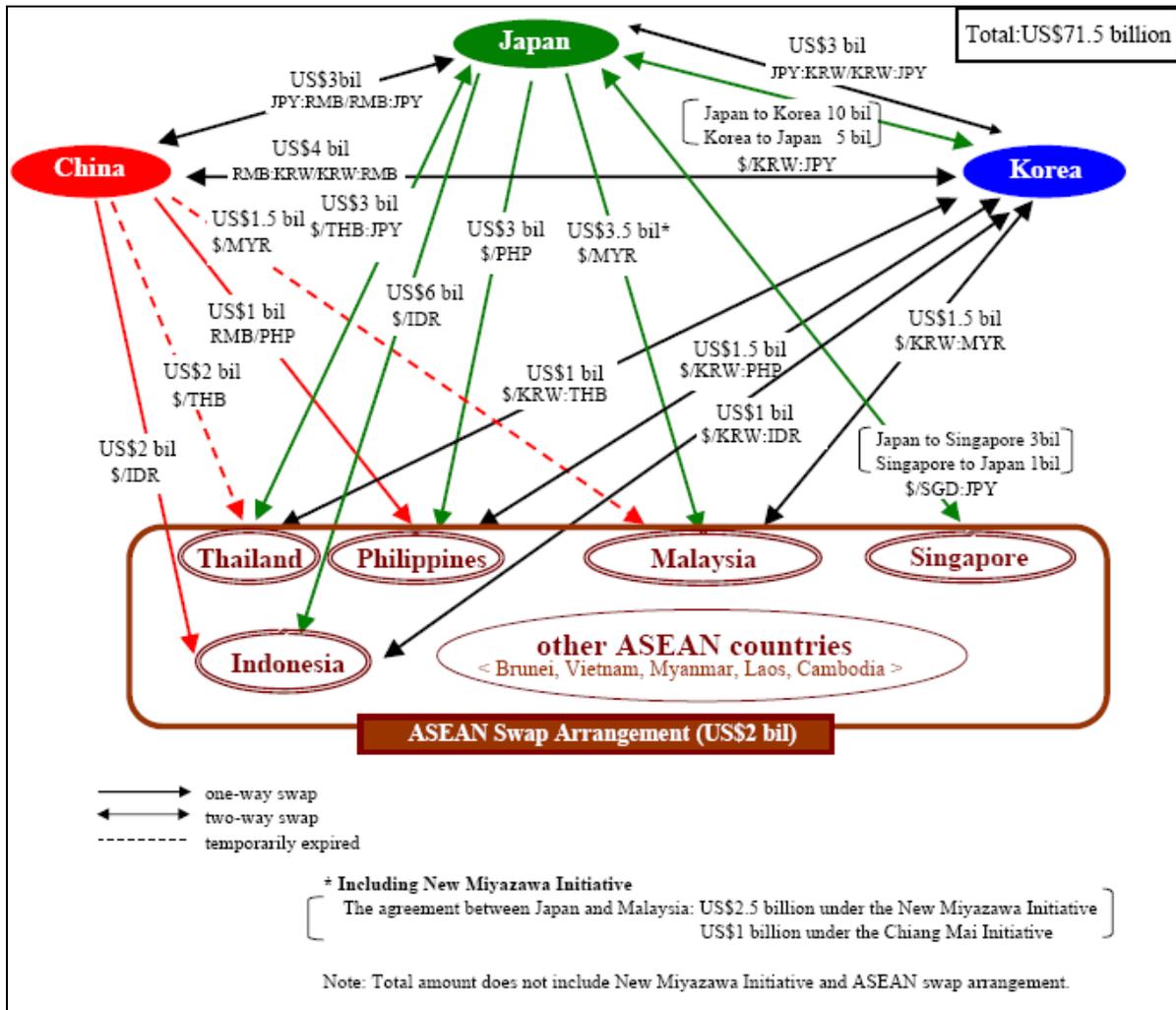
Units: US\$ (billion)	Commitments				Actual IMF Disbursements	CMI (20%)
	Country	IMF	Multilateral <sup>85</sup>	Bilatera l	Total	
Indonesia	11.2	10.0	21.1	42.3	8.8	11.0 (2.2)
Korea	21.1	14.2	23.1	58.4	19.0	19.0 (3.8)
Thailand	4.0	2.7	10.5	17.2	3.1	8.0 (1.6)
Total	36.3	26.9	54.7	117.9	30.9	75.0 (15.0)

Sources: IMF, Issues Brief 00/05 (June 2000); Bank of Japan; and ADB.<sup>86</sup>

<sup>85</sup> World Bank and ADB.

<sup>86</sup> Accessed at <<http://www.imf.org/external/np/exr/facts/asia.pdf>> and <[http://www.boj.or.jp/en/type/release/zuiji\\_new/data/un0602a.pdf](http://www.boj.or.jp/en/type/release/zuiji_new/data/un0602a.pdf)>.

Figure 1: The Agreement of the Swap Agreement under the Chiang Mai Initiative



Source: Bank of Japan, as of February 24, 2006. (Total swap size reached US\$75.0 billion as of May 4, 2006)<sup>87</sup>

<sup>87</sup> Bank of Japan, Accessed at <[http://www.boj.or.jp/en/type/release/zuiji\\_new/data/un0602a.pdf](http://www.boj.or.jp/en/type/release/zuiji_new/data/un0602a.pdf)>.

## References

- Abdelal, Rawi (2001). *National Purpose in the World Economy: Post-Soviet States in Comparative Perspective* (Ithaca: Cornell University Press).
- Abdelal, Rawi, Yoshiko M. Herrera, Alastair Iain Johnson and Terry Martin. (2001). *Treating Identity as a Variable: Measuring the Content, Intensity, and Contestation of Identity*. Paper presented at the American Political Association, August 30-September 2, San Francisco.
- Amyx, Jennifer. (2004a). A Regional Bond Market for East Asia? The Evolving Political Dynamics of Regional Financial Cooperation. *Pacific Economic Paper* No. 342.
- \_\_\_\_\_. (2004b). "Japan and the Evolution of Regional Financial Arrangements in East Asia." In Ellis Krauss and T.J. Pempel, eds., *Beyond Bilateralism: U.S.-Japan Relations in the New Asia-Pacific* (Stanford: Stanford University Press).
- Amsden, Alice (1989). *Asia's Next Giant: South Korea and Late Industrialization* (New York: Oxford University Press).
- Baker, Richard W. (1998). "The United States and APEC Regime Building" in Vinod K. Aggarwal and Charles E. Morrison, eds., *Asia-Pacific Crossroads: Regime Creation and the Future of APEC* (New York: St. Martin Press).
- Bergsten, C. Fred. (2000). Towards a Tripartite World. *The Economist*, July 15.
- Berger, Mark (1999). APEC and Its Enemies: The Failure of the New Regionalism in the Asia-Pacific. *Third World Quarterly*, 20(5): 1013-1030.
- Berger, Thomas U. (1998). *Cultures of Antimilitarism: National Security in Germany and Japan* (Baltimore: The Johns Hopkins University Press).
- Bowles, Paul (2002). Asia's Post-Crisis Regionalism: Brining the State Back in, Keeping the (United) States Out. *Review of International Political Economy*, 9(2): 244-270.
- Brubaker, Rogers (2004). *Ethnicity without Groups*. Cambridge, MA: Harvard University Press.
- Calder, Kent and Min Ye. (2004). Regionalism and Critical Junctures: Explaining the "Organization Gap" in Northeast Asia. *Journal of East Asian Studies*, 4: 191-226.
- Campbell, John L. (2004). *Institutional Change and Globalization*. Princeton: Princeton University Press.
- Crone, Donald. (1993). Does Hegemony Matter?: The Reorganization of the Pacific Political Economy. *World Politics*, 45(4): 501-525.

- Cronin, Bruce. (1999). *Community under Anarchy: Transnational Identity and the Evolution of Cooperation*. (New York: Columbia University Press).
- Cummings, Bruce. (2002). *Historical, Economic and Security Realms in East Asian Community Building: Regional Regimes in Search of a Legitimation*. Paper presented at the conference on "Building an East Asian Community: Visions and Strategies," December 11, 2002, Seoul, Korea.
- Checkel, Jeffrey T. (1999). Social Construction and Integration. *Journal of European Public Policy*, 6(4): 545-560.
- Chey, Hyong-Kyu. (2009). The Changing Political Dynamics of East Asian Financial Cooperation. *Asian Survey*, 49(3): 450-467.
- Deiter, Heribert and Richard Higgott (2003). Exploring Alternative Theories of Economic Regionalism: From Trade to Finance in Asian Cooperation. *Review of International Political Economy*, 10(3): 430-454.
- Dobbin, Frank. (1994). *Forging Industrial Policy: The United States, Britain, and France in the Railway Age*. Cambridge: Cambridge University Press.
- Evans, Paul. (2002). *East Asian Regionalism: Supplement or Alternative to an American-Centered Pacific Order?* Paper presented at the conference on "Building an East Asian Community: Visions and Strategies," December 11, 2002, Seoul, Korea.
- Frankel, Jeffrey A. and Kahler, Miles. (1993). "Introduction" in Jeffrey A. Frankel and Miles Kahler, eds., *Regionalism and Rivalry: Japan and the United States in Pacific Asia* (Chicago: University of Chicago Press).
- Funabashi, Yoichi. (1995). *Asia-Pacific Fusion: Japan's Role in APEC* (Washington, DC: Institute for International Economics).
- Grimes, William. (2009). *Currency and Contest in East Asia: The Great Power Politics of Financial Regionalism*. Ithaca: Cornell University Press.
- Hall, Peter A. (1992). "The Movement from Keynesianism to Monetarism: Institutional Analysis and British Economic Policy in the 1970s." In Svein Steinmo, Kathleen Thelen, and Frank Longstrech, eds., *Historical Institutionalism in Comparative Politics: State, Society, and Economy* (New York: Cambridge University Press).
- \_\_\_\_\_. (2005). "Preference Formation as a Political Process: The Case of Monetary Union in Europe." In Ira Katznelson and Barry Weingast, eds., *Preferences and Situations: Points of Intersection between Historical and Rational Choice Institutionalism* (New York: Russell Sage Foundation).

- Hall, Rodney Bruce. (1999). *National Collective Identity: Social Constructs and International System*. (New York: Columbia University Press).
- \_\_\_\_\_. (2004). The Discursive Demolition of the Asian Development Model in the Asian Financial Crisis, *International Studies Quarterly*, 47(1): 71-99.
- Hamilton-Hart, Natasha. (2003). Asia's New Regionalism: Government Capacity and Cooperation in the Western Pacific. *Review of International Political Economy*, 10(2): 222-245.
- \_\_\_\_\_. (2005). "The Chiang Mai Initiative and the Prospects for Closer Monetary Integration in East Asia." In Bertrand Fort and Douglas Webber, eds., *Regional Integration in East Asia and Europe: Convergence or Divergence?* (London: Routledge).
- Hettne, Björn and Fredrik Söderbaum. (2000). Theorizing the Rise of Regioness. *New Political Economy*, 5(3): 457-473.
- Higgott, Richard. (1998). The Asian Economic Crisis: A Study in the Politics of Resentment. *New Political Economy*, 3(3): 333-356.
- \_\_\_\_\_. (1999). "The Political Economy of Globalization in East Asia" in Kris Olds et al. eds., *Globalization and the Asia-Pacific: Contested Territories* (New York: Routledge).
- \_\_\_\_\_. (2006). Regionalization, Regionalism and Leadership: The Limits of Institutionalization in East Asia. Mimeo.
- Hiwatari, Nobuhiro. (2003). Embedded Policy Preferences and the Formation of International Arrangements after the Asian Financial Crisis. *Pacific Review*, 16(3): 331-359.
- Hopf, Ted. (2002). *Social Construction of International Politics* (Ithaca: Cornell University Press).
- Hughes, Christopher W. (2000). Japanese Policy and the East Asian Currency Crisis: Abject Defeat or Quiet Victory? *Review of International Political Economy*, 7(2): 219-253.
- Johnstone, Christopher B. (1995a). *An Awkward Dance: the Osaka Summit, Japanese Leadership and the Future of APEC* (Japan Economic Institute Report, No. 39A, October 20).
- \_\_\_\_\_. (1995b). *Leaders Finesse Thorny Issues at Osaka APEC Summit* (Japan Economic Institute Report, No. 44B, December 1).

- Kahler, Miles. (2000). Legalization as Strategy: The Asia-Pacific Case. *International Organization*, 54(3): 549-571.
- Katada, Saori N. (2001a). *Banking on Stability: Japan and the Cross-Pacific Dynamics of International Financial Crisis Management* (Ann Arbor: University of Michigan Press).
- \_\_\_\_\_. (2001b). Japan's Counterweight Strategy; U.S.-Japanese Cooperation and Competition in International Finance. Paper presented at a Conference on Beyond Bilateralism: U.S.-Japanese Cooperation and Competition in Asia, December 2-3, Tokyo, Japan.
- Katzenstein, Peter J. (1996). Regionalism in Comparative Perspective. *Cooperation and Conflict*, 31(2): 123-159.
- \_\_\_\_\_. (2003). "Regionalism and Asia." In Hughes Breslin and Ben Rosamond, eds., *New Regionalism in the Global Political Economy* (London: Routledge).
- \_\_\_\_\_. (2005). *A World of Regions: Asia and Europe in the American Imperium*. Ithaca: Cornell University Press.
- Katzenstein, Peter J., Hamilton-Hart, Natasha, Kato, Kozo, & Yue, Ming. (2000). *Asian Regionalism*. Ithaca: East Asia Program, Cornell University.
- Kim, Sunhyuk and Yong Wook Lee (2004). New Asian Regionalism and the United States: Constructing Regional Identity and Interest in the Politics of Inclusion and Exclusion." *Pacific Focus*, 19(2): 185-231.
- Lee, Yong Wook. (2006). Japan and the Asian Monetary Fund: An Identity-Intention Approach. *International Studies Quarterly*, 50(2): 339-366.
- Liu, Fu-Kuo and Philippe Régnier. (2003). "Prologue: Whither Regionalism in East Asia?" in Fu-Kuo Liu and Philippe Régnier, eds., *Regionalism in East Asia: Paradigm Shifting?* (New York: RoutledgeCurzon).
- Nabers, Dirk. (2003). The Social Construction of International Institutions: The Case of ASEAN + 3. *International Relations of the Asia-Pacific*, 3: 113-136.
- Oga, Toru (2004). Rediscovering Asianness: The Role of Institutional Discourse in APEC, 1989-1997. *International Relations of the Asia-Pacific*, 4: 287-317.
- Onuf, Nicholas (1989). *World of Our Making: Rules and Rule in Social Theory and International Relations*. Columbia: University of South Carolina Press.

- Pascha, Werner. (2007). The Role of Regional Financial Arrangements and Monetary Integration in East Asia and Europe in Relation with the United States. *Pacific Review*, 20(3): 423-446.
- Pempel, T.J. (2002). *The Soft Ties of Asian Regionalism*. Paper presented at the conference on "Building an East Asian Community: Visions and Strategies," December 11, 2002, Seoul, Korea.
- \_\_\_\_\_. (2004). Ed. *Remapping East Asia: The Construction of a Region* (Ithaca: Cornell University Press).
- Polanyi, Karl (1944). *The Great Transformation* (New York: Farrar and Rinehart).
- Rapkin, David P. (2001). The United States, Japan, and the Power to Block: the APEC and AMF Cases. *Pacific Review*, 14(3): 373-410.
- Ravenhill, John. (2002). A Three Bloc World?: The New East Asian Regionalism. *International Relations of the Asia Pacific*, 2(2): 167-195.
- Ruggie, John G. (1982). International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order. *International Organization*, 36(2): 379-415.
- Sakakibara, Eisuke. (2001). *The Asian Monetary Fund: Where Do We Go from Here?* Paper presented at International Conference on Globalization, February 26, Kuala Lumpur, Malaysia.
- Scott, Richard. (2001). *Institutions and Organizations*. Thousand Oaks: Sage.
- Soesastro, Hadi (2001). Whither ASEAN Plus Three? (Trade Policy Forum, June 12-13, Bangkok, Thailand).  
<http://www.pecc.org/trade/papers/bangkok-2001/soesastro.pdf>.
- Sohn, Injoo. (2005). Asian Financial Cooperation: The Problem of Legitimacy in Global Financial Governance. *Global Governance*, 11: 487-504.
- Somers, Margaret. (1994). The Narrative Constitution of Identity: A Relational and Network Approach. *Theory and Society*, 23: 605-649.
- Stubbs, Richard. (2002). ASEAN Plus Three: Emerging East Asian Regionalism? *Asian Survey*, 42(3): 440-455.
- Summers, Lawrence L. (1998). Emerging from Crisis: The Beginning of a New Asia: Remarks before the Economic Strategy Institute (February 11).  
<http://www.ustreas.gov/press/releases/pr2217.htm>.

- Terada, Takashi (2003). Construction an “East Asian” Concept and Growing Regional Identity: From EAEC to ASEAN +3. *Pacific Review*, 16(2): 251-275.
- Tsunekawa, Keiichi (2004). “Why So Many Maps There? Japan and Regional Cooperation.” In T.J. Pempel, ed., *Remapping East Asia: The Construction of a Region* (Ithaca: Cornell University Press).
- Tussie, Diane. (1998). Multilateralism in a Globalizing World Economy. *Mershon International Studies Review*, 42(May): 183-193.
- Vogel, Ezra F. (1991). *The Four Little Dragons: The Spread of Industrialization in East Asia* (Cambridge: Harvard University Press).
- Vogel, Steven. (1996). *Freer Markets, More Rules: Regulatory Reform in Advanced Industrial Countries*. Ithaca: Cornell University Press.
- Waeber, Ore. (1995) “Resisting the Temptation of Post Foreign Policy Analysis.” In W. Carlsnaes and S. Smith, eds., *European Foreign Policy: The EC and Changing Perspective in Europe* (London: Sage).
- Webber, Douglas (2001). Two Funerals and a Wedding? The Ups and Downs of Regionalism in East Asia and Asia-Pacific after the Asian Crisis. *Pacific Review*, 14(3): 339-372.
- Wendt, Alexander. (1992). Anarchy is What States Make of It: The Social Construction of Power Politics. *International Organization*, 46(2): 391-425.
- \_\_\_\_\_. (1994). Collective Identity Formation and the International State. *American Political Science Review*, 88(2): 384-396.
- Wesley, Michael. (1999). The Asian Crisis and the Adequacy of Regional Institutions. *Contemporary Southeast Asia*, 21(1): 54-73.
- Wade, Robert (1990). *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton: Princeton University Press).
- \_\_\_\_\_. (1996). Japan and the World Bank, and the Art of Paradigm Maintenance: The East Asian Miracle in Political Perspective. *New Left Review*, 217: 3-37.
- Yu, Hyun-Seok. (2003). Explaining the Emergence of New East Asian Regionalism: Beyond Power and Interest-Based Approaches. *Asian Perspective*, 27(1): 261-288.