

NEO-REALISM, NEO-LIBERALISM AND EAST ASIA REGIONALISM:
THE CASE OF VIETNAM

by

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East Asia regionalism emerged in the context of the end of the Cold War, the break-up of the Soviet Union and the outgrowth of regionalism in many parts of the world such as the unprecedented expansion of the European Union and the development

of the North American Free Trade Agreement. It has been nearly two decades since its inception and almost every aspect of East Asian regionalism has been explored in depth with the exception of the application of theoretical explanations to East Asia regionalism. This paper is an attempt to apply international relations theories of neo-realism and neo-liberalism to East Asia regionalism. The paper has found that both neo-realism and neo-liberalism have found evidence in East Asia to support their assumptions about regionalism but neither has given fully appropriate explanations to East Asia regionalism. The case study of Vietnam's regional cooperation is also supportive of that conclusion. In addition, the case of Vietnam indicates that concrete conditions of each country have played an important role in its incentives and participation into regionalism. The paper invites explanations for East Asia regionalism from other theories in international relations.

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CHAPTER I

INTRODUCTION

Regionalism, intergovernmental cooperation on a geographically limited basis, has gradually developed since the end of the Second World War. However, it was not until after the end of the Cold War that it began flourishing throughout the world. In this most recent wave, the world community has witnessed the process of transforming into regionalism of East Asian countries. This process of East Asian collaboration attracts much attention because East Asia possesses a commonly-known strategic position in the world agenda. East Asia intersects the vital national security and strategic interests of the world's most powerful nations: the United States, China, Russia and Japan, and its development "bears a great potential to re-craft the shape of global relations which has so far been largely dominated by the United States" (Center for Strategic and International Studies, 2005, para.1). As Bergsten points out, "East Asia countries are getting together to make their own economic arrangements. Therefore, for the first time in history, the world is becoming a three bloc configuration" (2000, p. 23); namely North America, European Union and East Asia. The strong growth of East Asia regionalism seems to have been accompanied by an implicit agreement on the term "East Asia" to refer to the region which includes the ten members of the Association of Southeast Asia Nations (ASEAN) Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines,

Singapore, Thailand and Vietnam, and the three Northeast Asian countries of China, Japan and the Republic of Korea (Korea henceforth).

Due to its strategic position and emerging influence on the world stage, East Asia regionalism has invited much attention from the world community. Since its emergence in the early 1990s, the study of East Asia regionalism has inspired an extensive discussion in the academic community of international relations and has produced a rich store of literature. In general, the literature has so far focused on the following thematic issues: a) sets of conditions that impelled East Asia regionalism; b) obstacles and prospects for East Asia regionalism; c) the complexity of member countries' perspectives toward East Asia regionalism; d) the role of ASEAN in the process of East Asia regionalism; and e) comparative analysis, including lessons from European regionalism for East Asia. I will discuss each of these issues in greater depth in the sections that follow in this chapter.

Nearly every aspect of East Asia regionalism has been explored and discussed thoroughly but there is one exception. There has been relatively little research focusing on the theoretical approaches to this matter. John Ravenhill has provided a very short and general application of theories to understand East Asia regionalism in his 2002 article: *A Three Bloc World? The New East Asian Regionalism* but the topic remains largely unexplored. Therefore, in this paper, I will further explore how theories of international relations can help to understand East Asia regionalism. In particular, I will examine how

neo-realism and neo-liberalism, two recently dominant theories in international relations, can help to understand regionalism in East Asia.

Conditions Impelled East Asia Regionalism

Most efforts to understand the emergence of East Asia regionalism in the 1990s have concluded that three main forces have accelerated regionalism in East Asia; the end of the Cold War and the dissolution of Soviet Union, the increasing world globalization, and the Asian financial crisis in 1997.

The East Asia regional order that remained during the time of the Cold War no longer existed after the closure of the Cold War and the dismantling of the Soviet Union. Ross has shown that “the end of the Cold War also destroyed the foundations of the preexisting regional order and the foreign policies of every state in East Asia”; therefore, regional states and policy-makers have to pursue new policies in order to serve “their countries’ respective interests and to maintain regional stability” (1995, p. xi).

The second impetus for East Asia regionalism is the growth of globalization and other regional arrangements in the world. The expansion of the European Union (EU) and the emergence of the North American Free Trade Area (NAFTA), coinciding with many other regional arrangements in the world, have pressed East Asian leaders for closer relations in order to balance “against the possible development of an exclusive bloc elsewhere” (Capie, 2003, p. 155). This pressure has been intensified by the European Union’s continuous enlargement and the United States’ efforts to expand NAFTA into a Free Trade Area of the Americas. Stubbs adds that “with a new round of World Trade

Organization (WTO) negotiations now [2005] on track, the need for a strong East Asian voice becomes even more imperative” (2002, p. 446).

The third factor that many have found decisive to the growth of East Asia regionalism was the 1997 Asian financial crisis. The crisis and its consequences have directly affected all governments in East Asia. More importantly, the crisis not only indicated the weakness of ASEAN and the Asia-Pacific Economic Cooperation (APEC) but also increased the “politics of resentment” (Higgott, 1998). ASEAN and APEC did not provide any effective help to deal with the crisis while the International Monetary Fund (IMF) and the United States actually worsened the situation (Stubbs, 2002, p. 448). Regional countries believe that “the IMF’s proposed measures of raising taxes and interest rates . . . would aggravate economic problems and cause social unrest” (Chongkittavorn, 1998, p. 45). The “politics of resentment” was exacerbated by the opposition of the United States, IMF and other Western governments to Japan’s Asian Monetary Fund proposal at the peak of the crisis even though the proposal was welcomed by heavily affected Southeast Asian states (Lipsky, 2003, p. 96). As a result, the sense of “humiliation” after the crisis has motivated East Asian governments to develop their own regional vehicle to cope with possible crises in the future.

Apart from the above-mentioned impetuses, East Asian shared cultural identity and common issues of the region are often cited as another factor underpinning regionalism in this area. In its report, the East Asian Vision Group (EAVG) shows that East Asian shared “many common historical experiences, and similar cultural norms and

values” that distinguish it as a “crucial region in the world” (EAVG, 2000, p. 2). Regional governments also share common concerns about many issues such as environment, human security, transnational crimes, refugees, immigrants and disease. These issues have become more pressing in the post-Cold War era, thus accelerating regional interdependence and cooperation (Liu & Régnier, 2003, p. xx).

Obstacles and Prospects for East Asia Regionalism

There is no doubt that the development of East Asia regionalism has been faced with many challenges. Among them, the rise of China, the great power rivalry in the region, the diversity in economic and political systems, strong nationalism in regional states and the dissatisfaction of the United States are paramount.

Despite the debate concerning whether the rise of China is a threat or an opportunity for East Asia regional cooperation, many consider the rise of China as an obstacle to East Asia regionalism. The rise of China usually refers specifically to the rapid and sustained economic growth since China began to pursue its open-door policy in the late 1970s. The annual GDP growth of China during this time has been at 9%, the average growth in foreign trade was 15% and China attracted more foreign direct investment (FDI) than the United States in 2002 (Razak, 2006, p. 26). However, neighboring countries have suspected China’s motives because it has “tried to use regional multilateral cooperation as an important way to pursue a ‘favorable international environment’ in neighboring areas to promote domestic constructions . . . especially, after the 1995-1996 Taiwan Strait crisis” (Zhang, 2006, p. 131). Although China has

repeatedly asserted that it would be a “benign power” and has skillfully participated in regional forums and organizations, Capie contends that “China’s sheer size, its proximity and its authoritarian character make it hard for it to dispel all these fears” (2003, p. 157) over the rest of the region, particularly Southeast Asia.

The rise of China makes it a regional power at least on a parallel with Japan but unfortunately, the two regional great powers have long been rivals. Their rivalry may be “the most destabilizing factor to the peace and prosperity of East Asia” (Kang, 2006, p. 1). In comparing this tension with the Franco-German reconciliation in the late 1940s, Miller implies that the future of East Asia regionalism cannot even be imagined without reconciliation between China and Japan (2004, p. 12). Unfortunately, little historical interaction of China and Japan signals that Japan would accept subordination to China (Friedberg, 2000 and Razak, 2006). Although the tension between the two great powers has recently decreased partially due to their close bilateral economic ties, many scholars still wonder how East Asia regionalism can keep going ahead in the face of the rise of China and its desire for hegemonic dominance in the region. Therefore, the China-Japan rivalry remains a huge difficulty in region-wide East Asia cooperation.

Other challenges facing East Asia regionalism are the diversity of economic and political systems, strong nationalism, cultural identity, language and the like among regional states. Most of the literature addressing challenges to East Asia regionalism has focused on economic and political disparities and strong nationalism. East Asia includes different economic and political models. The majority of states in the region, according to

Capie (2003, p. 157-158), maintain “some kind of illiberal government” that ranges from “planned economies to free-market city-states”. Moreover, the distribution of economic power and political influence vary from one country to another within the region. For example, “the combined GDP [Gross Domestic Product] of three Northeast Asian economies [China, Japan and South Korea] totals more than thirteen times the GDP of the ten ASEAN states” (Capie, 2003, p. 157-158). Even putting economic and political disparities aside, East Asia must face the strong nationalism which intensified in the wake of the 1997 Asian financial crisis. Stubbs (2002, p. 451) contends that in order to drive people’s attention far away from “any of shortcomings in the domestic management of their economies”, politicians have been willing to deliberately “employ nationalist rhetoric and contemplate reintroducing nationalist policies” which undermine regional cooperation. Additionally, many Asian leaders still recall the Japanese militarism and expansionism of World War II. East Asian states remain suspicious and wary of Japan because “Japan has never formally acknowledged or apologized for the atrocities it committed against East Asian neighbors during the Pacific War” (Yip, 2001, p. 107). Evidently, strong nationalism remains an obstacle in the way of East Asia regionalism.

Last but not least, the negative attitude of the United States is another challenge to East Asia regionalism. The United States has important interests in East Asia and holds two main concerns about East Asia regionalism. The first is that East Asia regionalism may replace or threaten the United States bilateral alliance system in the region. The other is whether this regionalism will be dominated by China, which would reduce the role of the United States in the region. The opposition of the United States can be

illuminated clearly by two recent failures in East Asian regional efforts during the 1990s. The first was the proposal by the Malaysian Prime Minister to establish an East Asia Economic Group (EAEG) including ASEAN members and China, Japan and South Korea. This initiative was regarded by the United States and others as an effort to gather regional countries into a group to counter other blocs in the world such as the European Union and North America. In spite of warm support from regional countries themselves, the opposition of the United States and its ally, Japan, forced Malaysia to recast EAEG into the East Asia Economic Caucus (EAEC), which only provides consultancy on economic issues among regional countries. Despite the Malaysian adjustment, as Yip points out, “the continued suspicions and strong objection of the United States meant that the EAEC was for all intents and purposes a stillborn proposal” (2001, p. 107).

The second failure was the death of Japan’s proposal for the Asian Monetary Fund (AMF) to deal with the 1997 Asian financial crisis. Once again, the United States objected to this proposal because its policies would undermine the International Monetary Fund (IMF) and especially, “it would mean a loss of influence [of the United States] over the developments in the region” (Yip, 2001, p. 108).

In addition to these specific objections to EAEG and AMF, the United States is in general not supportive of the strong development of ASEAN plus Three cooperation which includes ten ASEAN member states and the three Northeast Asian countries of China, Japan and Korea. The United States considers APT a vehicle for China to gain influence in East Asia and enable an anti-US bloc in both economics and politics.

Therefore, the United States may hold back the APT process by putting pressure on its regional allies such as Japan and Korea (Stubbs, 2002, p. 453). Based on the above reasons, it is apparent that Washington's attitude to any proposals for East Asia regionalism will play a critical role in determining their successes and so far Washington's attitude has been a significant obstacle for East Asia regionalism.

Despite these past failures and obstacles, which are not negligible, there are still many prospects for East Asia regionalism. These prospects can be seen primarily in the development of ASEAN Free Trade Area (AFTA), the ASEAN plus Three and the Free Trade Agreements within East Asia. The ASEAN preferential trading agreement of 1977 did not have any impact on intra-ASEAN trade but in 1992 ASEAN's agreement to establish a free trade area has produced a great achievement. Yip points out that "intra-ASEAN trade doubled from \$43.3 billion in 1993 to 86.3 billion in 1997" and despite the impact of the 1997 Asian financial crisis, "commitment to AFTA trade liberalization remained generally on track" (2001, p. 108). ASEAN continues to include many framework agreements to enhance regional cooperation in a variety of areas such as trade facilitation, transport and communication and e-commerce. Trade statistics further show that intra-ASEAN trade doubled from US\$ 82.4 billion to US\$159.5 during the period of 1993 to 2001 (Yong, 2004, para.6). In conclusion, Yip argues that the continuous development of AFTA continues to successfully "push regional cooperation beyond the efforts undertaken at the multilateral level" (2001, p. 108).

The birth and development of ASEAN plus Three (APT) is another source of optimism for East Asia regionalism. Started in 1997 and institutionalized in 1999, APT has greatly contributed to “strengthening and deepening East Asia cooperation at various levels and in various areas, particularly in economic, political, and other fields” (ASEAN, 2004, para.2). Further development of APT was intensified by the birth of East Asia Summits, two of which have been held in December 2005 and January 2007. Under the APT process, there have been 48 mechanisms that co-ordinate 16 areas of APT cooperation such economic, political and security, monetary, finance, agriculture and so on. ASEAN provides that “total trade value between ASEAN and the Plus Three Countries reached US\$ 195.6 billion in 2003 compared to US\$170.8 billion in 2002, marking a growth of 14.49% in 2003” (2004, para.7). It is evident that APT is the most successful process for East Asia cooperation and has provided strong confidence in further East Asia regionalism.

The last two decades have seen a proliferation of free trade arrangements in the Asia-Pacific region and in the East Asia area. In the late 1990s, AFTA was the only major foreign trade arrangement in the region but by 2002, there were many such arrangements in the process of being enacted, negotiated or studied (Research Institute of Economy, Trade and Industry, 2005). In 2005, the FTAs between ASEAN and each country in Northeast Asia were established and the Japan-Singapore Economic Partnership Agreement (JSEPA) was the first FTA between a Southeast Asian country and a Northeast Asia country. The development of those FTAs illustrates the cooperation and interdependence among East Asia countries and is a good preparation for an East

Asia Free Trade Area. In parallel with the development of AFTA as an axis and APT process, this reality of FTA proliferation contributes to regional efforts to speed up East Asia regionalism.

Complexity of Member Countries' Perspectives toward Regionalism

Owing to the diversity of economic and political systems, nationalism, cultural identity, language and the like among regional states as well as bilateral relationships with outsiders, each state holds its own unique perspective concerning regionalism aligned with its own national interest. This complexity of regional states' perspectives is also a salient concern and has produced a considerable amount of literature. The complexity hinges largely on whether East Asia regionalism should be exclusive or inclusive. On the one hand, some countries insist on inclusiveness, notably Japan, Singapore, The Philippines and Thailand. These countries call for an enlargement of East Asia cooperation and establishing an East Asia Community (EAC) which would include India, Australia and New Zealand. In fact, these three countries were invited to attend both East Asia Summits in 2005 and 2007. Before the East Asia Summit in 2005, Japan suggested that "Australia, New Zealand and India could be admitted as members of the proposed East Asia Community" (Kyodo News International, 2004, para.1) and Tokyo has reaffirmed its "long-standing position that East Asia regionalism must be open and pan-Pacific in orientation" (Miller, 2004, p. 13). Singapore and The Philippines not only support an "inclusive East Asia" but also want to add the United States in this community. Both The Philippines and Singapore see the importance of the United States

to balance China (Hund, 2003, p. 387-388). On the other hand, some countries, including Malaysia and China, favor an “exclusive East Asia” which would not include Australia, India and New Zealand. At the 2005 East Asia Summit, Malaysian Prime Minister, Abdullah Badawi, called India and New Zealand “outsiders” to East Asia and he also strongly emphasized that “Australia was not geographically part of East Asia and he did not see how it could regard itself as such” (Levett, 2005, para.2). China shares this Malaysian position and Panda (2006, p. 33) shows that China “wants to ensure that only the ASEAN Plus Three will be responsible for creating an East Asia Community, forming the core of what community proponents hope will become Asia’s main multilateral body”. This is at least partly because China does not want to have any major competitors, especially because India also has emerged as a strong economic power. Other regional countries such as Laos, Vietnam, Cambodia and Myanmar stand somewhere in between. This may be because of their weak voices or because they simply have made no clear decision yet about inclusiveness and exclusiveness of East Asia. However, this view and the other two have complicated the picture of East Asia regionalism.

The Role of ASEAN in East Asia Regionalism

The role of ASEAN is yet another significant topic for analyses of East Asia regionalism. ASEAN has thus far taken a central role in the regional cooperation process, in spite of some limitations. ASEAN has been a central player in many regional architectures, including ASEAN Regional Forum (ARF), the Treaty of Amity and

Cooperation in Southeast Asia (TAC) and ASEAN plus Three. Established by ASEAN in 1994, ARF has been so far the only institution gathering 25 countries who have interests in regional security for intergovernmental dialogue on security in the Asia-Pacific. ARF acknowledges the diversity of regional security while aiming at regional stability and prosperity. The influence of ASEAN in the region is also clear in its TAC and its principle of non-intervention in the internal affairs of other countries. ASEAN requires any country who wishes to join in ASEAN to sign the TAC which therefore is a requirement for any country that wishes to strengthen relations with ASEAN. China, India, Japan, and Korea has signed the Treaty and “it has come to be that all countries who wish to promote comprehensive economic partnership or cooperation with ASEAN accede to the TAC” (Yamakage, 2005, p. 3). Finally, ASEAN plays a crucial role in ASEAN plus Three – a direct attempt to further East Asia regionalism. ASEAN not only is a creator but also forms the core of this cooperative mechanism through which substantial levels of cooperation among regional states have been already achieved.

Some limitations of ASEAN have been claimed which challenge its central role in East Asia regionalism. These limitations are attributed to ASEAN’s principles of “consensus” and non-intervention in internal affairs of other country - which both characterize the “ASEAN way” (Narine, 2002). The “ASEAN way” may prevent its members from building a community; therefore, it becomes weaker, especially when China and Japan want to take the lead. The East Asia Study Group (EASG) also expressed its concern that “ASEAN may be marginalized if the transition towards an EAS moves too fast” (2002, p. 5). In spite of the fact that ASEAN clearly has limitations,

Liu and Régnier contend that “ASEAN has played a leading role in driving regional agendas forward” and “all existing regional architectures have more or less accorded, if not linked, with ASEAN’s vision of community building” (2003, p. xxiii). Both are also of the opinion that “East Asia regionalism is gradually progressing in the vein of ‘ASEANization’” (Liu & Régnier, 2003, p. xxiii). Additionally, ASEAN continues strengthening intra-ASEAN cooperation in order to maintain its position in East Asia. ASEAN has ratified its Charter for the legal and institutional framework as “the premier inter-governmental organization of the region” which will “serve the organization well in three interrelated ways, such as, formally accord ASEAN legal personality, establish greater institutional accountability and compliance system, and reinforce the perception of ASEAN as a serious regional player in the future of the Asia Pacific region” (ASEAN, 2007, para.4). ASEAN’s contributions toward promoting regional cooperation have maintained its position as a crucial actor in East Asia regionalism.

Lessons from the European Union for East Asia

Lessons for East Asia from the European Union (EU), the most successful model of regional integration in the world are also important concerns for analysts of East Asia regionalism. However, there are many differences between EU and East Asia in terms of history and culture. European regionalism emerged in the context of the end of World War II while that of East Asia emerged out of the Cold War. Another important difference is the attitude of the United States. In the case of European regionalism, the United States strongly supported this trend to prevent the expansion of communism. But

in East Asia, the United States has developed bilateral relations with its allies in the region and kept its negative attitude toward communist states; therefore, it constrains this regionalism rather than enables it (Beeson, 2005).

However, there have been studies that indicate some lessons from EU for East Asia. Severino and Moeller (2006) point out three lessons applicable to any region without regard to cultural and historical similarities and differences. The first lesson is that regionalism needs statesmen's visions and practical steps must be launched to realize those visions. Another lesson is that regionalism is a step-by-step process in which each step must be characterized by clear goals. For instance, the European regionalism process had set as its goals achieving a common market, a common agricultural policy, a permanent common trade policy, and a common currency. The third lesson is that regionalism must be pursued in a 'win-win' manner that makes regional members feel "better off inside than outside" (Severino & Moeller, 2006, p. 2). In the same vein, focusing on economic integration as an important step towards regionalism, Tersen (n.d.) provides some lessons for East Asia. These lessons suggest that "common projects and concrete realizations by pooling resources" (Tersen, n.d, para.16), political commitment of regional state governments to promote regionalism, a core group of some states taking leading role in regionalism and governmental commitments to domestic reforms are important prerequisites for regionalism. Even without regard to cultural and historical differences between the European Union and East Asia, those who have looked at the EU as a model of regionalism have provided valuable lessons for East Asia countries to

promote their regionalism. These lessons range from the general to the concrete, applicable to the region as a whole and to any state as a participant.

Chapter 2 of this paper will examine some key theoretical concepts of East Asia, region and regionalism as a background for discussion in chapter 3. Not only theoretical concepts of East Asia, region and regionalism but also the origins and characteristics of old and new regionalism will be explored in chapter 2. Chapter 3 will examine whether neo-realism and neo-liberalism can help explain regionalism in East Asia. By looking at key assumptions of neo-realism and neo-liberalism and applying them to East Asia regionalism, I will consider the relevance of the assumptions to East Asia regionalism. The case study of Vietnam is the subject of chapter 4 which will explore Vietnam in East Asia regionalism through its participation and contributions to ASEAN Plus Three process and the opportunities and challenges that Vietnam faces in ASEAN Plus Three cooperation. Based on this discussion of Vietnam, recommendations are made for Vietnam to improve its position in regional cooperation. The discussion of Vietnam in regional cooperation is an attempt to illustrate the participation of a developing country in regional cooperation. The last chapter of the paper will be a conclusion which is to sum up the discussion of the paper.

CHAPTER II

EAST ASIA AND REGIONALISM

The Concept of East Asia

The concept of East Asia as a region is a relatively new one. Two decades after the Second World War, there was no “East Asia” in existence because of the shadows of the Cold War and of regional hot wars such as wars in Vietnam and the Korean peninsula (Tanaka, n.d.). However, East Asia used to refer to a sub-region of Asia that includes China, Korea, Japan and Vietnam. For example, in the preface of *East Asia: A New History*, Murphey defines “East Asia is the single most populous unit of the world, comprising China, Korea, Vietnam and Japan” (1997, p. xi). Culturally, East Asia has been used to refer to the grouping of countries that have long shared together the Chinese cultural sphere. For Ravenhill (2002, p. 174), “the concept of ‘East Asia’ has conventionally referred only to those states of Confucian heritage”. Kolb divides the world into seven cultural subcontinents in which “the Chinese” is understood as “the East Asian” (1971, p. 1). These understandings of East Asia as a region have excluded other countries located in Southeast Asia, except for Vietnam in some cases.

Not until the 1990s did the concept of East Asia as a region that included both Northeast Asian and Southeast Asian countries become widespread. The proposal of the East Asian Economic Group (EAEG, downgraded to the East Asian Economic Caucus -

EAEC) by Malaysian Prime Minister Mahathir was a starting point for a strong conceptual framework for East Asia as a whole (Terada, 2003, p. 251). The initiation of ASEAN plus Three and the first East Asia Summit in 2005 have strongly acknowledged a new concept of East Asia. According to Kim (2004, p. 46), “the concept of East Asia embedded in the EAEG proposal survived, resonating in all regional forums and debates throughout 1990s”. As a result, the concept of East Asia is widely used for the region that includes both ten ASEAN members and three Northeast Asian countries of China, Japan and Republic of Korea. There has been a consensus about this concept of East Asia and it has been widely used by those who study East Asia regionalism because East Asia regionalism is initiated and developed by those thirteen regional states. East Asia regionalism in this paper also refers to the cooperation among governments of ten ASEAN member states and of three Northeast Asian states of China, Japan and Korea. However, this new concept of East Asia only delineates the members geographically. But what “region” and “regionalism” refer to is still an unanswered question and it invites us first to examine the theoretical explanations of region and regionalism.

Region and Regionalism

Defining “Region”

The term “region” as used in this study refers to a region in the international system, not a region within a nation-state because “region” is sometimes used to refer to a geographical unit within one country. In international relations, this term is used in different contexts with different meanings and these meanings are sometimes

overlapping. "Region" is still a contested concept. It is common that international regions refer to geographical proximity. However, geographical contiguity is only one of several characteristics of a region and newly emerged definitions of a region have challenged the idea that "region" is simply a geographical concept. According to Evans and Newnham, "the primary, common sense usage [of region] connotes physical contiguity. Indeed proximity seems to be a necessary, although not sufficient, condition for confident stipulation of a region" (1998, p. 472). Palmer adduces the discussion of regions by Bruce M. Russett who defines a region by listing its five characteristics including "geographical proximity", "social and cultural homogeneity", "shared political attitudes and behavior", "political interdependence in the form of shared institutional membership" and "economic interdependence" (1991, p. 7). Nevertheless, there are areas called regions in the world even though they do not have all five characteristics. For example, South Asia is commonly defined as a region but it lacks a "social and cultural homogeneity" (Palmer, 1991, p. 7). In 1968, Joseph Nye provided a less complex definition of a region. For him, region is defined as "a limited number of states linked together by a geographical relationship and by a degree of mutual interdependence" (Nye, 1968, p. vii). But he had also to mention that "there are no 'absolute' or 'nationally determined' regions. Relevant geographical boundaries vary with different purposes. . . [and one] relevant region for security may not be one for economic integration" (Nye, 1968, p. vi).

There have been many efforts to define "region" in international relations but for many scholars, there has been no definition that can be descriptive of the complexity of the issue. This is because the structure of the world is always changing and "regions

disappear and reappear as they are transformed by various economic, political, and cultural factors . . . [and because] . . . both the character and functions of regions have recently experienced a major transformation” (Väyrynen, 2003, p. 25-26). This transformation has brought about two other approaches to define a “region” in literature. The first one focuses on physical and functional regions while the other uses the “outside-in” and “inside-out” approach.

According to Väyrynen, “physical regions refer to territorial, military, and economic spaces controlled primarily by states, but functional regions are defined by nonterritorial factors such as culture and the market, that are often the purview of nonstate actors” (2003, p. 27). Accordingly, the difference between physical and functional regions is the distinction between a “space of places” and a “space of flows” (Castells, 1996). Castells defines a place as “a locale whose form, function, and meaning are self-contained within the boundaries of physical contiguity” (1996, p. 423) and the space of flows refers to “the material organization of the time-sharing social practices that work through flows and network” (Castells, 1996, p. 412). Väyrynen points out that in terms of physical regions, “regions are defined as spatial clusters of states that the logic of anarchy has facilitated, positively or negatively, becoming dependent on each other. . . [and] . . . the driving force in functional regions is either the economy. . . the environment . . . or culture” (2003, p. 27). In fact, this approach to define a region is to categorize other approaches into physical and functional groups. It consists of geographical proximity, cultural, economic, political and military factors which are seen in other definitions of a region.

Another way to define a region, proposed by Iver-Neumann in 1994, uses both “inside-out” and “outside-in” approaches. Neumann reviews previous literature in the study of regions and divides it into either “inside-out” or “outside-in” approach. According to the “inside-out” approach, one region can be divided into the center or the core, where cultural traits are more similar, and the periphery (Neumann, 1994, p. 54). For example, despite a lack of institutional strategies associated with supranational cooperation, the common cultural traits were strong enough to make the Nordic countries become a region (Neumann, 1994, p. 54). Neumann points out that other scholars of the “inside-out” approach, such as Amitai Etzioni and Bengt Sundelius, also focus on common cultural “background variables” and “social dynamics” to define a region. However, this approach encounters at least two difficulties in defining a region. First, the degree of cultural similarity and cultural interaction between the core and the periphery within a region is barely evaluated. Therefore, it is difficult to delineate the borders of a region. Second, one nation-state can share cultural traits with and belong to more than one core of regions, whereas it can be only one actor in the international agenda. As a result, this approach does not seem to be very helpful to defining a region in international relations.

In contrast to the focus on cultural integration of the “inside-out” approach, the “outside-in” approach emphasizes geopolitics. Neumann shows that if “the ‘inside-out’ approaches concentrate on the naturalness of cultural criteria in delineating a region’s border, the ‘outside-in’ approaches discard these in favor of natural geopolitical or strategic landmarks such as mountain ranges, rivers and stretches of water” (1994, p. 56).

In this perspective, the border of one region can be delineated by natural geopolitical and strategic landmarks which separate it from others. Therefore, the nature and genesis of regions are naturally given. Although “inside-out” and “outside-in” approaches focus on different criteria to define a region, most attempts to define a region stand somewhere in between these categories. In many cases, natural landmarks such as rivers and mountains are also the boundaries for cultural traits to diffuse and for economic interactivity. Like the approach of physical or functional regions, the “inside-out” and “outside-in” approach cannot alone provide a clear-cut understanding to define a region.

This short review has shown that the literature on regions is not only rich in insights but also very diverse in assumptions. Most attempts to define a region share one characteristic of geographical proximity. Many others have different criteria and priorities in defining a region. “Region” is still a contested concept in international relations and it is a historical concept which has changed coinciding with the changes of the world structure. More importantly, it is variously used by students of international relations in service of their different purposes. Despite the complexity of defining international regions, East Asia which consists of ten ASEAN member states and the three Northeast Asian countries of China, Korea and Japan can be defined as a region under any approach such as physical or functional regions, “inside-out” and “outside-in” approaches. However, the degree that East Asia can meet the criteria of different approaches varies from one to another. This can be illustrated by the discussion of regionalism and its varieties.

Regionalism and Its Varieties

Like the term “region”, “regionalism” is also an ambiguous term in international relations and the debate on defining “regionalism” has not reached an agreement. The literature defining regionalism has fallen into different schools. For some analysts, regionalism is defined as “the making of regional associations in which a government’s involvement will be drawn into the process through a formal gathering among regional countries” (Liu, 2003, p. 6) and therefore, this perspective emphasizes regional activities within existing formal regional establishments and their related functional development. Considering cooperation as one means to advance national interests, another school of thought defines regionalism “as cooperation among governments or non-government organizations in three or more geographically proximate and interdependent countries for the pursuit of mutual gain in one or more issue-areas” (Alagappa, 1995, p. 362). Geographical contiguity, mutual benefit, interdependence, the participation of at least three countries, and no limitation of issue-areas for cooperation are key factors in this understanding of regionalism.

In the eyes of economists, even though it may not be evident to many of them as Bhagwati points out, regionalism is broadly defined as “preferential trade agreements among a subset of nations” (1999, p. 3). Bowles holds a similar view by defining regionalism as “an economic policy choice of governments . . . in the form of regional economic integration schemes” (2000, p. 433). Still others have different definitions of regionalism. A number of those who consider region as a “geographically specified area”

see regionalism as marked by “the disproportionate concentration of economic flows or the coordination of foreign economic policies among a group of countries in a close geographical proximity to one another” (Mansfield & Milner, 1997, p. 3).

As a synthesis of the above definitions of regionalism, it is worthwhile to point out some essential features of regionalism. First, regionalism should be understood as a product of geographically proximate countries, otherwise it would become ‘unmanageable’. Second, because economic interaction is one of the key elements of regionalism, it should be higher among regional countries than external ones. And last, policy and the commitment to cooperate of one individual country should be at regional level and cover one or more issue-areas. However, those definitions are somehow one-sided because the growth of regionalism is stipulated by a variety of factors such as culture, history, economy, and politics. Therefore, Hurrell (1995b, p. 38) advises that regionalism should be understood in terms of “social cohesiveness (ethnicity, race, language, religion, culture, history, consciousness of a common heritage), economic cohesiveness (trade pattern, economic complementarity), political cohesiveness (regime type, ideology), and organizational cohesiveness (existence of formal institutions)”. In order to do so, he breaks up the concept of “regionalism” into five different varieties: regionalization, regional awareness and identity, regional inter-state cooperation, state-promoted regional integration and regional cohesion. This break-up is helpful in terms of analyzing regionalism although these categories are related to each other both in theory and in practice.

According to Hurrell, *regionalization* “refers to the growth of societal integration within a region and to the often undirected processes of social and economic interaction” (1995b, p. 39). One key feature of this understanding is that regionalization is an informal process because it is “undirected”. The process of integration can happen through regional interactions and transactions of private individuals such as investors, traders, migrating workers and tourists. Another feature of regionalization is that it focuses on the economic interaction which leads to economic interdependence within a region. Because regionalization also refers to social integration, it involves flows of people, complex social networks and these channels will contribute to spreading ideas, cultural values, social norms from one area to another within a region. The last feature of regionalization is that it is a “natural process” rather than a state-related process in terms of policy and border. This is because “migration, markets, and social networks may lead to increased interaction and interconnectedness tying together parts of existing states and creating new cross-border region” (Hurrell, 1995b, p. 40). In this perspective, regionalization is an informal process which happens through social and economic flows and it is not mainly directed by regional states and their policies.

“*Regional awareness*”, “*regional identity*” and “*regional consciousness*” are ambiguous notions. However, they are so important that regional integration cannot be comprehensive without regional identity although security, economic and political factors are evidently critical (Liu, 2003, p. 19). These terms are understood “as a kind of common feeling and as the values that are generally shared by the people in the same region and which may help them find out what they really believe in and what they wish

to be like” (Liu, 2003, p. 19). The development of regional identity is going along with that of regionalization and Hurrell points out that regional identity can “rest on internal factors . . . [and] . . . can also be defined against some external ‘other’” (1995b, p. 41). Culture, language, history, religions and traditions are examples of internal factors and a security threat is a factor defining an external “other”. For instance, Neumann and Welsh (1991) provide another example of an Asian identity as a contradiction to the “West”. In fact, “regional awareness”, “regional identity” and “regional consciousness” deal with mental perceptions of people in a same region and the formations of those are voluntary processes. Adler (1997, p. 251) provides the concept of “cognitive region” to express the idea of regional identity and he contends that any region can be defined as a “cognitive region” because of its identity, awareness and consciousness. In coordination with economic, security and political factors, regional identity, regional awareness and regional consciousness not only contribute to accelerating regional coherence but also provide a regional self-image to the world. Those terms are ambiguous but impossible to ignore in the study of regionalism.

Regional interstate cooperation is one variety of regionalism which refers to interstate or intergovernmental arrangements or regimes for the purpose of securing welfare gains, promoting common values, solving common problems, responding to external challenges, coordinating regional positions in international negotiations or institutions (Hurrell, 1995b, p. 42). Regional interstate cooperation has some evident characteristics. First, the cooperation has varying degrees of formality and the cooperation between governments can never be completely informal. Regional

cooperation can develop to a certain threshold and may lead to establishing formal institutions. However, the effectiveness of those institutions is the second feature of regional interstate cooperation, that is, institutionalization does not mean an effective cooperation among governments. This is because regional institutions may be based on loose structures, regulations and, in many cases, without sanctions against the violation of regulations. ASEAN plus Three is one example of this feature. Although it has contributed to strengthening regional cooperation, many have considered it as a loose mechanism which has no sanctions on violators of its regulations. Another characteristic is that regional interstate cooperation contributes to “the stabilization of a regional balance of power”, “the institutionalization of confidence-building measures”, and “negotiation of a region-wide security regime” (Hurrell, 1995a, p. 336). This characteristic is illustrated by the ASEAN’s expectation that ASEAN plus Three will constrain China’s power in the region and as the voice of East Asia in international negotiations. The last feature of regional interstate cooperation is that it strengthens the role and authority of the state. Governments or states have the right to decide whether or not to adjust their policies in accordance with regulations of regional institutions or regimes. These adjustments can be seen in their economic and trade policies which influence on not only regional cooperation but also others’ state policies. Regional interstate cooperation, in comparison with regional identity, is more visible even though its effectiveness is uncertain. It has a set of purposes with visible forms such as institutions, policies and it is achieved by states and to advance the role of states in regionalism.

There is no widely accepted concept of *state-promoted regional integration*. However, Hurrell defines it as specific policy decisions by governments in order to “reduce or remove barriers to mutual exchange of goods, services, capital, and people” (1995b, p. 43). Regional integration was used in the study of Western Europe’s experience of regionalism and was both a process and an end product when the process has passed a certain threshold (Habib, 1995, p. 305). And regional integration was understood as regional economic integration. In the same vein, Balassa holds that “cooperation includes actions aimed at lessening discrimination, the process of economic integration comprises measures that entail the suppression of some forms of discriminations. For example, international agreements on trade policies belong to the area of international cooperation, while the removal of trade barriers is an act of economic integration” (1961, p. 2). Economic integration can have several forms with different degrees of integration such as free trade and an economic union. Dominated by the model of European regionalism, regional integration was simply understood as regional economic integration but Hurrell’s definition denotes that regional integration includes both economic and social integration. Although regional integration has no clear-cut meaning, it is a subcategory of regionalism and a higher stage of regional cooperation. One region may have region cooperation but may not have regional integration if its cooperation has not passed a certain threshold.

Regional cohesion can be understood as the highest variety of regionalism and it is possible when the combination of all above four processes makes a region a cohesive and consolidated unit (Hurrell, 1995a, p. 337). Regional cohesion is significant to not

only states within a region but also outsiders because it can impose potential and actual costs on regional states and stipulate the relationship between regional states and outsiders. Regional states may not be able to pursue their own decisions or options in domestic and foreign policies because they have to comply with regionally shared arrangements and regulations. As a consolidated unit, arrangements and regulations of a region may condition autonomy of individual states and can impose certain sanctions on those who do not follow them. For outsiders, their policies are now dealing with a region as a cohesive actor and their relationship with one individual state of a region also has to be properly adjusted. Economic agreements are examples of how regional cohesion can influence relations with outsider states.

Both “region” and “regionalism” are contested and ambiguous concepts in international relations. Defining these notions has attracted much attention from the academic community but there has been little consensus. Putting aside the complexity of defining a region by accepting that “scholars in history and political science . . . will know a region when they see one” (Väyrynen, 2003, p. 26) and that of defining “regionalism”, other questions will come up such as when regionalism started, what are the causes of regionalism and what are their characteristics. To answer these questions requires another discussion of origins and characteristics of regionalism in the world politics.

Regionalism: Old and New

Regionalism is not a new phenomenon in world politics. Some scholars hold that regionalism can be traced back before the Second World War. Mittelman contends that during the 1930s, “regionalism . . . [w]as a movement toward territorially based autarkies” (1996, p. 190). Mansfield and Milner (1999, p. 596) even show that the first episode of regionalism started in the second half of the 19th century in Europe and regionalism has so far experienced four episodes. However, most literature of regionalism has focused on regionalism since the end of World War II and divided it into two waves, commonly known as “old regionalism” or the first wave of regionalism and “new regionalism” or the second wave of regionalism. Old regionalism started from the late 1950s through early 1970s and new regionalism has emerged since the late 1970s (Hwee, 2005). These two waves of regionalism after World War II have different origins and characteristics.

Old Regionalism

Old regionalism arose in the context of the Cold War and the bipolar world structure in which powers were vying for influences. The first wave of regionalism was marked by the success of European projects such as European Economic Community (EEC) and European Free Trade Association (EFTA) and by the institutionalization of relationships among its members. At that time, developing countries also established other regional trade blocs (Mansfield & Milner, 1999, p. 600). After the Second World War, Europe was in a difficult economic and political environment because of the

destruction of the war and the historical rivalry between Germany and France. Beeson shows that the critical factor that helped Europe overcome its unpropitious circumstance was “a newly ascendant America” (2005, p. 974). The Marshall Plan was designed to help European economies to recover after the war destruction and to respond to the Council for Mutual Economic Assistance (CMEA) which was established by the Soviet Union and its political allies in 1949. For developing countries, this was the time of “decolonization” in their history. For them, preferential arrangements were to reduce their economic and political dependence on developed countries. As a result, these arrangements favored the development of domestic industries and discouraged imports from developed countries (Mansfield & Milner, 1999, p. 600). Under the analysis of Hettne (2000, p. 66), old regionalism had certain characteristics. First, geopolitical imperatives were initial forces for old regionalism instead of economic needs. The United States and Soviet Union were vying for influence by imposing their influence on a certain region and attempted to restrain each other. Second, European regionalism and CMEA show that old regionalism was designed as a “from above” model - by the superpowers: the United States took the key role in creating European regionalism while the Soviet Union was the architect of CMEA. Third, old regionalism was “closed” regionalism which favored protectionism. This feature of old regionalism might be explained by the bipolar world structure during the Cold War which was characterized by rivalry rather than cooperation. The last characteristic of old regionalism was specific-objective oriented and concerned with “formally sovereign states”. Some organizations during this time were either economic or security oriented such as the Southeast Asian Treaty

Organization in 1954 (SEATO). Actors in old regionalism were formally sovereign states which were different from those of the new regionalism in contemporary times. This point will be clearly illustrated when discussing new regionalism. In short, old regionalism, emerged in the context of a bipolar world structure and the Cold War, was initiated by geopolitical imperatives, “closed” and specific-objective oriented. It was created by the “from above” model and consisted of “formally sovereign states”. All of these features of old regionalism make it distinctive from new regionalism.

New Regionalism

Unlike the first wave of regionalism, new regionalism has arisen in the context of a different international system. Much of the literature indicates that the second wave of regionalism emerged in a more favorable context (Robson, 1993, p. 335). It is important to discuss the origins of new regionalism and its characteristics to illustrate differences between old regionalism and new regionalism.

Despite the fact that new regionalism had taken root before the close of the Cold War and the break-up of the Soviet Union, many scholars have argued these two changes “have lessened the impact of global factors in world politics and have increased the weight of regional forces that had operated all along under the surface of superpower confrontation” (Katzenstein, 1996, p. 123). In fact, the end of the Cold War has produced “a new attitude toward international cooperation” and the growth of regional organizations which contributed to regional cooperation (Fawcett, 1995, p. 18-19). The end of the Cold War and the collapse of the Soviet Union were examples of the

predominance of cooperation over antagonism - one characteristic of the bipolar international system. And of course, the newly ascendant trend of cooperation included regional cooperation. The Russian attitude toward international cooperation was greatly transformed in the era of Gorbachev. One feature of this transformation was its attitude toward international institutions including the United Nations. Bennett shows that in the era of Gorbachev, Russian "new thinking" saw international institutions "as areas more for cooperation with the West than for competition" (1991, p. 753). The increase in number of regional organizations was another contributor to the growth of new regionalism. These organizations provided useful forums for states to engage in many international activities and issues. Their important role in regional cooperation has been confirmed by Wilcox's statement that in relations with the United Nations, regional organizations are "indispensable element[s] in its successful growth and functioning" (1965, p. 789). However, the idea of the rise of new regionalism with the end of the Cold War has been contested. Väyrynen (2003, p. 28) contends that the so-called unipolar international system after the Cold War has been dominated by the United States, which is not a preferable option for "pivotal states in each region". Therefore, these states prefer to align with the center of the unipolar international system instead of building a region. But in fact new regionalism continued to develop in the unipolar international system. This argument has called for another explanation of new regionalism: the decentralization of the international system.

Of course, the decentralization of the international system was possibly considered as a result of the end of the Cold War because before the end of the Cold War,

the world was led by the two superpowers namely the Soviet Union and the United States. Fawcett (1995, p. 20) indicates that the decline of the two superpowers' overriding influence in the international system has given an impetus to multi-polarity and a greater importance to regional arrangements. For example, the European Union and the North Atlantic Treaty Organization (NATO) have not only existed in the post-Cold War time but also admitted more members to their organizations. Moreover, both Russia and the United States became interested in regional arrangements. The United States attempted to establish regionalism in Americas. On the other side, Russia changed its "doctrine about international relations . . . [to] the idea of an international society held together by shared interests and values" and suggested a concept of "common European home" (Malcolm, 1989, p. 659). Not only did the two former superpowers have an interest in regionalism but also developing countries found regionalism valuable. For them, the decentralization of the international system means that their regional affairs become their own business instead of being controlled by the two superpowers. The end of Cold War and the collapse of the Soviet Union also put many countries such as Vietnam in a vulnerable situation. Therefore, regional alignment was considered as a way to avoid vulnerabilities. This trend was illustrated by the increase of regional security organizations in the 1970s and 1980s. At the same time, regional powers have ever more influence on regional issues. Lawcett (1995, p. 21) points out that international issues appear to be at the regional level rather than the international level as before. In general, the decentralization of the international system indeed has promoted regional cooperation.

Another change that encouraged the development of new regionalism was global economic change and global issues. Some scholars refer to these changes as 'globalization'. As a result, new regionalism is considered a response to globalization (Mittelman, 1996; Värynen, 2003 and Kim, 2004). Because of the demise of the Soviet Union and the newly ascendant Eastern European countries, developing countries had to compete with more nations in the global economic market. For many countries, as Fawcett shows, the threat of economic marginalization became more dangerous than that of security (1995, p. 23). The success of European integration was considered as a model for many countries to overcome this challenge of economic marginalization.

Additionally, the success of the European economic project encouraged other regions in the world to devise economic integration policies. In fact, many regions in the world had been committed to their economic arrangements such as the Arab Maghreb Union and APEC. ASEAN was a good example of this kind of policy change. Previously an insignificant area, economic cooperation in ASEAN became a common concern among its members. In addition, as the legacy of the Cold War has become eroded, many countries have developed an open-minded attitude toward foreign investments and imports, and are willing to initiate bilateral and multilateral arrangements and to introduce both import and export-oriented policies (Wyatt-Walter, 1995, p. 94-95).

Moreover, there are more and more issues that one country cannot deal with alone such as environmental issues, transnational crimes and immigration. Such issues force states to collaborate with each other. Competition on a global scale, the threat of economic marginalization, the success of European integration and global issues have favored the

development of new regionalism. Robles concludes that “[new] regionalism is emerging with force as a strategic response to the pervasive and the relentless globalization process” (2000, p. 178).

Along with economic changes and global issues, the reduction of Third World coalitions was another factor favoring the second wave of regionalism. During the time of the Cold War, many organizations of the Third World countries were established such as the Non-aligned Movement (NAM) and the Group of 77 (G-77). Such coalitions formed a so-called South-South cooperation. However, their importance was gradually reduced in the 1970s and 1980s and this was commonly referred to “the end of Third Worldism” (Fawcett, 1995, p. 26). The diversity of Third World countries in terms of wealth and power was ascribed to the ineffectiveness of their coalitions. Observing this change in the international system, Gilpin points out that “the Third World no longer exists as a meaningful single entity” (1987, p. 304). At the same time, many scenarios had been proposed for developing countries to gain better positions in the international arena. For instance, in 1974, Kothari proposed that a variety of regional coalitions, not a single southern coalition, could be a means for developing countries to improve their status on the international stage. Both the reduction of the role of the Third World coalitions and the proposals for new regional organizations can be partly explained as an outgrowth of regional arrangements in the 1990s. Hurrell concludes that “the erosion of the Third World coalition on which so many hopes has been pinned in the 1970s . . . pressed developing countries in Africa, Latin America and the Middle East towards ‘group-solidarity’ of a more limited, regional character” (1995a, p. 341).

The last factor in the development of regionalism was the process of “democratization” in many places in the world. Although there is a debate as to whether the process of democratization promoted regionalism or vice versa, Fawcett argues that “democratization. . . is more hospitable to interdependence at the regional and global level” (1995, p. 27). There is much evidence for this argument. First, the absence of democracy was considered as a cause of the ineffective regional cooperation among CMEA members (Fawcett, 1995, p. 27). Second, Tripp (1995) points out that in the Middle East, less democratic governments appear unwilling to be committed to regional cooperation. Third, similar evidence can be found in Americas and Africa. In the mid 1980s, there was a widespread belief that Africa seemed unlikely to move toward democracy but in 1990s, there was a tidal wave of democratization that surprised scholars (Decalo, 1992, p. 7). In the case of the Americas, Fawcett has argued that the very civilian governments of Argentina and Brazil negotiated to join Mercosur (a regional trade agreement initially among Brazil, Argentina, Uruguay and Paraguay) and the same thing happened in Chile (1995, p. 29). Of course, “democratization” is not a requisite condition for regionalism but the process of democratization throughout the world has been an accelerator to new regionalism.

Emerging in a different international context, new regionalism has grown up from various sources. The context and origins of new regionalism distinguished it from the first wave of regionalism. From the above discussion of the origins of both old regionalism and new regionalism, several features of new regionalism are highlighted. First, new regionalism grew up from a multi-polar world order in which the influence of

the two former superpowers degraded into a regional level rather than a global level as they were in the time of bipolar international system. Second, new regionalism was designed in a so-called “from below” model. If the United States and the Soviet Union were major architects of old regionalism, regional countries became more involved in new regional arrangements in the second wave. The enlargement of EU and ASEAN are good examples of this feature. Third, in terms of participants, new regionalism has attracted not only formally sovereign states but also international and regional organizations. More small states got involved in regional arrangements. For instance, Ethier points out that new regionalism “involves one or more small countries linking up with a larger country” such as Mexico in NAFTA, Finland and Sweden in the EU (1998, p. 1150-1151). Fourth, unlike the specific-objective oriented old regionalism, new regionalism covers more areas in cooperation. Therefore, new regionalism is a comprehensive and multilateral process. Finally, new regionalism is an “open” regionalism. Because of the diversity of participants, global issues, outward-oriented policies of many countries and economic interdependence, new regionalism is sometimes referred as an “outward-looking focus on external links with other regions” (Hwee, 2005, p. 2). Evidently, new regionalism is more complex than old regionalism.

The transformation from old regionalism into new regionalism was the transformation from a bipolar world order into a multi-polar one. There have been many global structural changes and the East-West confrontation dominated in international relations. Consequently, theories of international relations in the 20th century have focused on the global level in their analyses and interpretations. In the time of new

regionalism, regional actors become more and more influential on the international stage. With the growth of new regionalism in many places such as North America and East Asia, European regionalism is no longer the only model of regionalism. This reality invites more attention to studying regionalism in world politics.

The review of “region” and “regionalism” has provided a theoretical background and shown differences between old and new regionalism. Based on this theoretical background, East Asia is a “region” and regionalism in East Asia has been developing through formal cooperation among states, flows of people and cultural values and the like. East Asia regionalism belongs to new regionalism. The above discussion of old regionalism and new regionalism has not drawn any lines among various theories of international relations. However, it is important to discuss how theories of international relations explain the development of regionalism. Since neo-realism and neo-liberalism are two dominant theories in international relations and East Asia is widely considered a typical example of new regionalism, the explanations of East Asia regionalism put forth by these two theories of international relations are the subject of chapter III.

CHAPTER III

NEO-REALISM, NEO-LIBERALISM AND EAST ASIA REGIONALISM

Chapter II has shown that the literature of regionalism is not only rich in insights but also diverse in assumptions. Neo-realism and neo-liberalism are two of the principal approaches to regionalism. Both are types of systemic theories, which emphasize “the importance of the broader political and economic structures within which regionalist schemes are embedded and the impact of outside pressures working on the region” (Hurrell, 1995a, p. 339). In terms of international cooperation, both neo-realism and neo-liberalism contend that international cooperation is possible but they differ in their assumptions and the possibility for international cooperation to occur. Neo-realism “stresses the constraints of the anarchical international system and the importance of power-political competition . . . [while neo-liberalism emphasizes] the changing character of the international system and the impact of economic and technological change” (Hurrell, 1995a, p. 339). It would be overly ambitious to apply the whole literature of these two theories to explain East Asia regionalism. Instead, in this chapter, I will consider the relevance of some key assumptions of these two theories for East Asia regionalism. My argument is that both neo-realism and neo-liberalism find evidence to support their international cooperation argument but neither theory can fully explain the development of East Asia regionalism.

Neo-realism and East Asia Regionalism

Neo-realism, sometimes referred as structural realism, shares with “realism” the key assumptions that states are dominant and self-interested actors in the international system. According to realism’s premises, “(1) states (or city-state) are the key units of actions; (2) they seek power, either as an end in itself or as a means to other ends; and (3) they behave in ways that are, by and large, rational, and therefore comprehensible to outsiders in rational terms” (Keohane, 1986, p. 7). States will naturally pursue their national interests which are defined in terms of power. Power is both an end in itself and a means for states to protect their survival. Consequently, states are always competing for their power with other competitors in order to maintain a balance of power. Because every state seeks power and “because of the absence of any world government or universal arbiter”, the international system is anarchical and conflictual in nature (Collard-Wexler, 2006, p. 399). Complete international cooperation in the eyes of neo-realists seems to be impossible because states are more concerned about relative gains than absolute gains in their cooperation. Waltz, a father of neo-realism, gives a clear explanation for relative gains.

When faced with the possibility of cooperating for mutual gain, states that feel insecure must ask how the gain will be divided. They are compelled to ask not “Will both of us gain?” but “Who will gain more?” If an expected gain is to be divided, say, in the ratio of two to one, one state may use its disproportionate gain to implement a policy intended to damage or destroy the other. Even the prospect of large absolute gains for both parties does not elicit their cooperation so long as each fears how the other will use its increased capabilities. . . the condition of insecurity - at the least, the uncertainty of each about the other’s future intentions and actions - works against their cooperation” (Waltz, 1979, p. 105).

Waltz contends that “in a condition of anarchy, relative gain is more important than absolute gain” (1954, p. 198). Moreover, one state may be worried about its dependence on others “through cooperative endeavors and exchanges of goods and services” (Waltz, 1979, p. 106). These neo-realist arguments appear not to see inter-state cooperation as possible. However, given the anarchical and conflictual nature of the international system, neo-realism can provide some important explanations for regional cooperation. These explanations focus on regional cooperation as a response to an external threat or challenge, small states’ perceptions to regional cooperation and the role of both external hegemon and internal hegemon in regionalism. These premises will be tested with evidence found in the case of East Asia regionalism.

By looking at the region from the outside-in and analyzing its position in the broader international system, neo-realists contend that regional cooperation can be formed as a response to external threats or challenges (Hurrell, 1995b, p. 430; Collard-Welex, 2006, p. 401 and Snidal, 1991, p. 722). When states are faced collectively with an external challenge or threat, but one state is unable to deal with the threat/challenge, they tend to cooperate with each other. In this case, states are willing to accept dependence on each other for their survival. There is considerable historical evidence for this argument of neo-realism. For example, ASEAN was initially a response to Vietnam and the Gulf Cooperation Council was against Iran. Weber points out that “if the level of external threat is high, countries are likely to prefer an arrangement that gives them greater assurance” (1997, p. 325). In this view, East Asia regionalism is considered as a “defensive response” or “reactionary regionalism”. East Asia regionalism emerged in the

context of the growth of regionalism in every part of the world. During the late 20th century and the beginning of the 21st century, the European Union was expanding to include former Eastern Bloc states and the United States was working to complete the North American Free Trade Area. In Africa, in 2002 the Organization for African Unity was officially replaced by the African Union whose structure was based on that of the European Union. Moreover, Stubbs (2002, p. 446) adds that the new round of the World Trade Organization (WTO) intensified the need for a strong voice of East Asian countries as a whole. This common voice of East Asian countries would protect them from WTO's future rules and regulations that do not favor their interests. All of these developments in the world pushed East Asian governments to pursue closer cooperation to "give the region balance against the possible development of an exclusive bloc elsewhere" (Capie, 2003, p. 155). Beeson concludes that "East Asia has . . . been marked primarily by a process of regionalization in which external economic forces have played a major role in encouraging [regional] integration" (2003, p. 253). This conclusion has definitely favored the neo-realist argument of regional cooperation as a response to external challenges.

For small-states in the international system, neo-realists hold that "smaller powers will seek regional arrangements . . . because they hope that a regional institution will enable them to constrain the hegemon's freedom of action" (Ravenhill, 2002, p. 69). Hurrell (1995b, p. 341) points out that regional arrangements are seen as responses of small states who are trapped in the world of the strong. In the case of East Asia regionalism, small countries have to deal with both the hegemon within the region, China, and outside-region hegemon, the United States. China is now considered as an

actual hegemon in the region because its influence in the region is much greater than that of Japan. Roy shows that China “faces less resistance than Japan to building a superpower-sized military. . . [and] . . . economic development will make China more assertive and less cooperative with its neighbors . . . whereas . . . Japan’s inherent weaknesses create doubts about the ability of the Japanese to increase or sustain their present level of economic power” (1994, p. 149-150). Southeast Asian countries are small countries in comparison with China. They are seeking cooperation with China, as neo-realists argue, to constrain China from its freedom of action. In terms of security, most ASEAN countries have so far maintained an uneasy relationship with China. For example, several Southeast Asian countries, such as Vietnam, Brunei and the Philippines, have sea disputes with China. Therefore, ASEAN countries have attempted to seek cooperation with China by driving it into regional institutions to constrain its freedom of action. The very first effort of ASEAN countries was to require China to sign its Treaty of Amity and Cooperation (TAC) as a condition if China wants to initiate cooperation with ASEAN. In 2003, China signed the TAC in the ASEAN-China summit. This prerequisite condition was also applied to Japan and Korea when both countries initiated their cooperation with ASEAN countries. Additionally, ASEAN engaged China step by step into institutionalizing cooperation between both sides. During the first half of the 1990s, the cooperation between ASEAN and China was institutionalized by the establishments of several dialogue mechanisms in political, scientific and technological areas, and trade consultations (Goh, 2007, p. 816). ASEAN was also pleased to see China’s participation in other multilateral institutions such as the ASEAN Regional

Forum (ARF) and the Asia-Europe Meeting (ASEM). ARF is considered as a useful mechanism for a strong ASEAN voice over security issues because it gathers participants from the Asia-Pacific region including the United States, Australia and Russia. One of the successes of ARF was that it shifted disputable issues such as the South China Sea from the bilateral agenda into the multilateral one (Singh, 2000). More recently, China joined ASEAN Plus Three which is considered as the most successful institution for regional cooperation so far. Although China finds much benefit from participating in those multilateral institutions itself, for small states in the region, those institutions have contributed to constraining China from its freedom of action. One example of multilateral institutions' effects was the objection of ASEAN to China's sea dispute with the Philippines over the Mischief Reef and China "was undoubtedly taken aback by ASEAN's reaction" (Storey, 1999, p. 105).

Despite concerns about security issues, ASEAN countries have various responses to the rapid growth of China's economy. According to neo-realist logic, ASEAN could be expected to balance itself against China in order to reduce interdependence with China. However, Ravenhill shows that ASEAN members' interests in China's proposal for an ASEAN-China Free Trade Area show their willingness to "contemplate bandwagoning with a rising power" (2002, p. 172). The indicator of this willingness was the establishment of an ASEAN-China Expert Group on Economic Cooperation (ACEGEC) whose responsibility is to study how "to further enhance integration and economic cooperation between . . . [ASEAN and China]. . . including the possibility of establishing a free trade area" (ASEAN, 2001, p. 4). Clearly, ASEAN countries are seeking closer

economic cooperation with the regional hegemon, which produces interdependence rather than independence between ASEAN and China.

In contrast to China, which can be seen as a regional hegemon, the United States is the outside-region hegemon of East Asia regionalism. The end of the Cold War had made the United States an “undisputable” superpower in the world. As the superpower in the world and with its bilateral military alliances with East Asian countries such as Japan, Korea and the Philippines, the United States seems to produce no incentive that encourages regional small states to balance it. In terms of economics, what happened in the 1990s appeared to discourage East Asian states from pursuing the need to constrain the United States. First, the economic interdependence, illustrated in their export share, between East Asia and the United States remained static during the time East Asia regionalism took off. For instance, Ravenhill suggests that “the US share of East Asia’s export in 1999 was 23%, only one percentage point up on its share in 1990, and substantially below the peak of 28.6% in 1985 . . . [and] its overall significance as a market for the region was less than it had been a decade before” (2002, p. 170). Second, the dispute between Kodak and Fuji became a problem between the United States and Japan. Kodak claimed that “Fuji and Japan’s Ministry of International Trade and Industry (MITI) conspired to exclude Kodak from Japan’s distribution outlets” and in 1997, the decision of the World Trade Organization’s panel finally favored the Fuji and MITI (Tsurumi & Tsurumi, 1999, p. 813). This was a loss of a major trade dispute for the United States. For East Asian countries, the result of the case indicated the strength of the WTO and the limit of the United States. For them, multilateral institutions are now able

to be the world arbiter. Those developments have more or less decreased East Asian small states' incentives to constrain the United States. All those events coincided with the dramatic development of East Asian regionalism. Clearly, there has been little evidence in both security and economic areas supporting the argument that East Asian states are seeking cooperation with the United States in order to constrain it. In other words, regionalism may not be an effort to constrain the outside hegemon. Responses of small states in East Asia to both internal hegemon and external hegemon have not formed a single clear path.

Another argument of neo-realism provides an explanation for East Asian regionalism. This alternative argues that "the presence of a hegemonic power is necessary if regionalism is to succeed - because a hegemon alone has both the means and the incentive to supply the collective goods that will induce small states to enter into collaboration in a regional arrangement with it" (Ravenhill, 2002, p. 169). China and the United States - two hegemonies - are tested in the case of East Asian regionalism to illustrate the relevance of this neo-realist argument pertaining to regional cooperation.

So far China has been actively participating in East Asia regional cooperation through its participation in different multilateral institutions and cooperative mechanisms. However, what has China provided or what will it potentially provide as collective goods which attract other states into regional arrangements? From an economic standpoint, although there is a ramification of ASEAN members' perception toward China, some scholars have shown that Southeast Asian countries view China as an opportunity rather

than a threat. According to Cunha, “in Southeast Asia . . . there is a widespread perception that China will be the new engine of growth for the entire region, displacing Japan, which had played that role for the past thirty years or more” (1998, p. 115). The role of China as an “engine of growth for the entire region” was intensified during the 1997 financial crisis. Australian Minister of Foreign Affairs, H. Alexander Downer (2001), holds that China’s effort to keep the value of its currency has greatly contributed to stabilizing East Asian economics during the 1997 Asian economic crisis. Indeed, the crisis has helped China gain the trust from ASEAN and strengthened its role in East Asia cooperation. In 2001, a report of ASEAN-China Expert Group on Economic Cooperation (ACEGEC), consisting of representatives from all ASEAN countries and China, also viewed China as an economic opportunity. Based on reports of individual ASEAN countries and the economic benefits that China may bring to ASEAN, the ACEGEC recommended the creation of an ASEAN-China Free Trade Area (ASEAN, 2001). The group was confident that “[an] ASEAN-China free trade area would represent an important move forward in terms of economic integration in East Asia . . . [and would] serve as a foundation for the more ambitious vision of an East Asia Free Trade Area, encompassing ASEAN, China, Japan and Korea” (ASEAN, 2001, p. 30). China has so far been considered as a provider of collective goods. For example, as a big economy in East Asia, China’s decision not to devalue its currency helped stabilize regional economies in the 1997 financial crisis and China was expected to have a great contribution to the Asian Monetary Fund which was proposed by Japan. Such collective goods of China may stimulate East Asian countries to enter into regional cooperation. However, China is not

seen as a benign power in terms of security. Long disputes relating to the South China Sea between China and some ASEAN countries still exist. Most ASEAN countries are still suspicious of China in the security area. Moreover, the United States' military engagement in East Asia through its military alliance with several regional countries including Japan, South Korea and the Philippines has constrained the role of China. The United States' engagement in regional security was strengthened after post-11 September 2001 events under the US-led "war on terrorism". This war on terrorism brought Washington and several East Asian partners into closer diplomatic and military relations, a trend which was not welcomed by China (Capie, 2003, p. 159). More recently, at the time of this writing, disputes over the South China Sea are reemerging among China, Vietnam, the Philippines and Taiwan (The Brunei Times, 2008) All these moves in the region have proved that China is not viewed by its neighbors as a source of collective good in the security area.

The American factor in East Asia regionalism is undeniable but does this factor stimulate the development of regional cooperation? The influence of the United States in East Asia regionalism has been emphasized by many scholars. Gilson (2007, p. 146) contends that "the US continues to play a significant role in East Asia" and Kim even emphasizes that "the United States is of central importance to all the East Asian states" (2004, p. 45). However, the United States has not supported the development of East Asia regionalism. First, this attitude of the United States is illustrated by its strong objection to the Malaysian Prime Minister's proposal of East Asian Economic Group in 1990. Second, the United States objected to Japan's proposal of creating an Asian Monetary

Fund at the time of the 1997 financial crisis because an Asian Monetary Fund would decrease the influence of the United States in the region (Yip, 2001, p. 108). Another major objection of the United States to East Asia regionalism was its disfavor of ASEAN Plus Three. The United States views ASEAN Plus Three as a vehicle for China to expand its influence in the region and to enable an anti-American bloc. The influence of the United States in East Asia regionalism is undisputable but it has not increased the momentum toward regional cooperation as neo-realists would expect. In contrast, the United States has held back East Asia regionalism. In fact, the United States has been “fracturing the [East Asian] region and making any region-wide integration or identity impossible” (Beeson, 2003, p. 254).

Neo-realism has greatly contributed to understanding international cooperation at the regional level. The neo-realist argument is that regionalism can be understood as a response to external threats or challenges. Regional small states participate in regional arrangements and institutions to constrain the freedom of action of the hegemon. The presence of the hegemon is considered necessary to the success of regionalism because the hegemon can provide collective goods to encourage small states into regional cooperation. In the case of East Asia regionalism, neo-realists have found evidence to support their assumptions, but East Asia regionalism provides evidence that disfavors the neo-realist argument. For instance, China can be viewed as a provider of collective goods in economics but it is viewed as a threat in the security realm and the United States has been an objector rather than a hegemon that stimulates East Asia regionalism. East Asia

regionalism continues to develop despite all those realities that might have favored or disfavored it and it invites another theoretical explanation.

Neo-liberalism and East Asia Regionalism

Neo-liberalism is sometimes referred to as “neoliberal institutionalism” and is seen as a response to neo-realism. Despite their agreement with neo-realists about the anarchy of the international system and about states as key actors, neo-liberals contend that the importance and the effect of the anarchy of the international system have “been exaggerated and moreover that realists/neo-realists underestimated the varieties of cooperative behavior possible within such a decentralized system” (Evans & Newnham, 1998, p. 361). In international cooperation, neo-liberals hold, “states focus primarily on their individual absolute gains and are indifferent to the gains of others. Whether cooperation results in a relative gain or loss is not important to a state . . . as long as it brings an absolute gain” (Powell, 1991, p. 1303). Absolute gain can be appreciated because of comparative advantages. Every state can get benefits from cooperation and benefits will include not only power but also economic and cultural gains. Apart from states, neo-liberalism recognizes that there are many other actors in the international system such as international organizations, transnational enterprises and other non-state players. Keohane and Nye (1989, p. 24-25) show that the international system is becoming more and more interdependent because of multiple channels that connect societies including formal and informal ties among states, the “absence of hierarchy among issues” such as energy, resources and environment, and the dismissed role of

military power as a consequence of interdependence. Due to this “complex interdependence”, states will focus on international institution-building, regime creation and absolute gains as their policy strategies, which will all promote international cooperation. Institutions and regimes can advance inter-state cooperation by improving their communications, lessening suspicions and attaining mutual benefits and therefore, promoting their relationships. Consequently, the role of states is decreased. In spite of not denying the anarchic character of the international system and states as key actors, neo-liberals contend that states are more concerned with absolute gains and how institutional arrangements or regimes can promote cooperation and that international cooperation is more possible because there are also other actors in the international arena, other varieties of cooperative behavior, and because of complex interdependence.

In terms of regional cooperation, Hurrell shows that neo-liberalism “has been the most influential theoretical approach to the recent study of international cooperation and represents a highly plausible and generalizable theory for understanding the resurgence of regionalism” (1995b, p. 349-350). Among neo-liberal explanations for regionalism, the following are important. First, the increasing interdependence, particularly economic interdependence, produces demands for inter-state cooperation and institutions are expected to call for collective actions to deal with various problems of common concern. Second, non-state actors in international systems, such as domestic interest groups and transnational firms, contribute to regionalism by pressing governments toward regional cooperation (Ravenhill, 2002, p. 173). Governmental collaboration will help to reduce the transaction costs for transnational business operations. But does regional cooperation

parallel the degree of interdependence? To what extent do interest groups contribute to intergovernmental collaboration? In fact, the application of these two neo-liberal assumptions in the East Asian region shows that the development of regionalism does not always support neo-liberal premises.

Neo-liberals have pointed out that states are inclined to cooperation because they are dependent upon each other. Regarding regional cooperation, neo-liberalists “focus primarily on the responses of states to the perceived imperatives of managing the costs of growing economic interdependence” (Ravenhill, 2002, p. 172). Therefore, the more economically interdependent states are, the more they are interested in cooperation. In general, this neo-liberal explanation is appropriate to East Asian regionalism. East Asia regionalism started at the beginning of the 1990s when there was a tidal wave of foreign direct investment throughout the region. Stubbs observes that “in the late 1980s and early 1990s, the region has seen a marked rise in investment by the richer economies of East Asia in their neighbors . . . for instance . . . Singapore investors have played a major role in the development of Vietnam; and Japanese . . . and Thai businesses have invested in China. These cross-cutting investment patterns have helped to knit the region’s economies together” (2002, p. 445). Economic interdependence among East Asian countries was also evident in the bilateral trade between ASEAN and the three Northeast Asian countries. Their bilateral trade increased from US \$66.5 during the first half of 1999 to US \$91.9 in the same period of 2000 (Xinhua News Agency, 2001). During this period of time, a wide array of regional initiatives emerged to address and deal with new issues in East Asian interdependence. Some of those initiatives are the East Asian

Economic Group/Caucus, the dialogues of ASEAN-Japan, ASEAN-South Korea and ASEAN-China, ASEAN Plus Three, and the Chiang Mai Initiative. These initiatives can be viewed as the region's attempts to reduce transaction costs in its trade, to manage intraregional trade frictions and to advance regional economies. In the perspective of neo-liberalism, all of these developments in regional interdependence help to explain the new interests of regional governments in regional arrangements. However, Ravenhill has provided evidence to argue that the degree of economic interdependence may not be directly proportional to the development of regionalism (2002, p. 172). He observes that in the late 1990s when East Asia regionalism took off, regional countries' economic interdependence, as measured by their dependence on one another for export markets was in a strong decline (Ravenhill, 2002, p. 172). This decline in East Asian economic interdependence could be explained by the 1997 financial crisis and the possibility that, due to the crisis, regional states were more interested in regional cooperation to cope with their situation. Therefore, East Asia regionalism took off at that time. This argument is plausible but indicates that the development of East Asia regionalism was not corresponding to neo-liberal economic premises.

In addition, the neo-liberal approach to regionalism rests on assumptions regarding more or less explicit "pressure from domestic groups to which governments respond" (Ravenhill, 2002, p. 173). Interest groups such as domestic firms and transnational enterprises press governments to regional cooperation because it will help them to reduce transaction costs and to expand their markets. This argument seems appropriate to East Asia regionalism because Liu and Régnier observe that at the first

stage, regional states showed little enthusiasm toward regional integration and momentum for East Asia regionalism came from “the endeavors of the private sectors and the progressive economic development process” (2003, p. xxi). There has been considerable literature showing that Japanese enterprises and overseas Chinese business groups contributed to stimulating regional economic cooperation. For example, the top body of Japanese big business supported the Malaysian Prime Minister’s proposal to create an East Asian Economic Group while the Japanese government was still vacillating on the matter (Ravenhill, 2002, p. 173). Also acknowledging the contribution of Japanese business, Stubbs points out that “Japan’s expansion of its business networks through East Asia during 1980s and 1990s underscores the extent to which common historical experiences provide a basic backdrop for the increasing interest in regionalism” (2002, p: 444). However, these contributions of interest groups might simply have strengthened their important role in advancing East Asian regionalism rather than proving that they pressured governments toward regional cooperation. In fact, Okamoto and Ogita (1996) indicate that Japanese private sector actors have very little effect in the government’s policymaking on regionalism. The influence of Korean business groups on the Korean government’s policy on regional cooperation was the same as that of Japanese groups. One Korean businessman, Ravenhill writes, commented that it is extremely difficult to understand “what the governments can negotiate on behalf of the private sector in promoting better international investment conditions in the region [and] East Asia prosperity will continue and proliferate because of market-oriented mechanics of industrial migration and intra-industry division of labor, [not because of governments’

policies]” (2002, p. 174). In general, in order to reduce transaction costs, many export-oriented enterprises in East Asia use their own production networks instead of seeking governments’ help (Borras *et al*, 2000). The contribution of interest groups to East Asia regionalism is undeniable but their influence on government policy toward regionalism is small. Regional governments are still maintaining their autonomy in their foreign economic policy and regional cooperation.

It would be overly ambitious to test all neo-liberal premises in explaining East Asia regionalism but the testing of two assumptions, the relations between the degree of economic interdependence and the growth of regionalism and the pressure of interest groups on governments’ policy on foreign economic and regional cooperation, is enough to conclude that regionalism does not always follow neo-liberal premises.

In a broader conclusion, this chapter has shown that both neo-realists and neo-liberalists can find evidence to support their assumptions about regional cooperation in East Asia but neither can provide an absolute explanation for the development of East Asia regionalism. Neo-realists find strong evidence to support their argument that regionalism is a response to external threats or challenges and small states seek regional arrangements to constrain the freedom of action of the hegemon. There is also considerable evidence supporting the argument that China can promote regional cooperation by providing collective goods in terms of economics but neo-realists cannot explain the case that China is not considered as provider of collective goods in terms of security and that the United States does not encourage regional states to enter into

regionalism. The same situation happens to neo-liberalism. If economic interdependence among East Asian states in a long term is parallel with the development of regionalism supports the neo-liberal viewpoint that interdependence produces cooperation, their peak of regionalism coinciding with the considerable shrinkage of economic interdependence in the late of 1990s challenges the neo-liberal standpoint. Moreover, the neo-liberal idea that pressures from interest groups drive governments toward regional cooperation does not find strong proof in East Asia regionalism.

So far, this paper has attempted to understand theoretical perspectives regarding region and regionalism. East Asia regionalism is a disputable product of the second wave of regionalism in the world and is chosen to test theoretical explanations of regionalism. In chapter IV, an effort is made to understand how an individual state interprets and participates in regional arrangements by taking Vietnam as a case study for this purpose. Opportunities and challenges from ASEAN Plus Three cooperation will be considered as a rationale for Vietnam to participate in East Asia cooperation. The discussion of chapter IV will further illustrate what has been discussed in chapter III.

CHAPTER IV

VIETNAM AND EAST ASIA REGIONALISM

Vietnam made a decision to adopt a comprehensive reform program in 1986. This program has been widely known as *Doi Moi* in Vietnamese or *Renovation*. *Doi Moi* was primarily directed toward reform and liberalization of the national economy but this program has decisive implications for Vietnam's external policy and security outlook. With the motto "Vietnam wishes to befriend all countries in the world community" without regard to economic and political differences, Vietnam has been pursuing its foreign policy of independence, openness, diversification and multilateralization of international relations, and active participation in the region and the world (Dosch, 2006, p. 241). Despite the early decision for a comprehensive reform program, Vietnam's regional and international integration markedly accelerated in the mid 1990s. The year 1995 was considered the most successful point in Vietnam's regional and international integration. In 1995, Vietnam became the seventh member of ASEAN and the United States declared normalization of its relations with Vietnam. In the same year, Vietnam and the European Union signed the Vietnam-EU Trade and Cooperation Agreement. Vietnam continued its regional and international integration by participating in Asia-Pacific Economic Cooperation (APEC) in 1998 and entering into the World Trade Organization (WTO) in 2007. Additionally, Vietnam was elected for the first time to the United Nations Security Council in October 2007 and its two-year term started on

January 1st, 2008. Those developments show that Vietnam has largely fulfilled its objective of regional and international integration. There is no doubt that regional and international integration has made a great contribution to Vietnam's development during the past ten years with an average annual growth in the gross domestic product (GDP) of over 7 percent.

Despite its active participation in regional and international cooperation, Vietnam did not fully anticipate the formulation of the ASEAN Plus Three (APT) cooperation framework which started in 1997 and was institutionalized in 1999 by ten ASEAN member states and China, Japan and Korea (Nam, 2007, p. 46). However, the East Asian region is critical to Vietnam's national development and security; therefore, its participation in APT is essential.

Vietnam's Participation in and Contributions to ASEAN Plus Three

For a developing country, the main objectives of regional cooperation are economic development and national security. These objectives are in line with Vietnam's renovation program. Therefore, Vietnam has participated in APT cooperation since its inception. As a member of ASEAN, Vietnam could not stand apart from this process while all the other members joined in APT cooperation. Moreover, when it started, APT cooperation was not problematic to Vietnam because this framework mainly focused on economic cooperation and was based on a loose cooperative mechanism. The key objectives of APT cooperation in its joint statement in 1999 and other proposals for further cooperation by the East Asian Vision Group and the East Asian Study Group were

fully appropriate to Vietnam's regional integration goals. From an economic perspective, Vietnam expects that APT cooperation would help to attract much more foreign direct investment from the Northeast Asian countries: China, Japan and Korea. Economic growth will help Vietnam improve its position in relations with other countries and strengthen its political independence. In addition, the weakness of ASEAN and the responses of China and Japan in the 1997 financial crisis indicated that ASEAN cooperation may not be strong enough to help Vietnam deal with such problems in the future. In terms of security, the East Asia region is a direct security environment of Vietnam. Having undergone thousands of years of external invasions and interventions, Vietnam is much aware of its security vulnerability. Joining in APT cooperation, Vietnam joins its security issues with those of its neighbors and moves from a bilateral agenda into a multilateral one. Economic cooperation will lead to interdependence among regional countries. As a result, it will be easier for security issues to be resolved. Apart from economic and security issues, there are also other considerations that make it advantageous for Vietnam to join in East Asian regional cooperation, such as immigration, transnational crimes, human trafficking, environmental problems and diseases. From the perspective of a developing country, Vietnam has participated in APT cooperation since it started and has derived the benefits from regional cooperation in terms of economics and security and other areas as well. However, Vietnam's position in East Asia cooperation depends greatly upon what Vietnam can contribute to APT cooperation.

Since the APT cooperation framework took shape, Vietnam has made considerable contributions to this regional cooperation. First, Vietnam has participated in all APT activities such as APT Summits and Ministerial Meetings. For instance, in 1998 Vietnam was the host of the second APT Summit which was considered the real beginning of APT cooperation. Although the first APT Summit was held in Malaysia in 1997, no initiatives or decisions were made. At the 1998 summit, APT states decided to keep the APT Summit as an annual event and to establish the East Asia Vision Group to promote cooperation. Second, Vietnam has supported initiatives to enhance APT cooperation. Some of these initiatives are the partnerships between ASEAN and each of three Northeast Asian countries and the ASEAN-China Free Trade Agreement. As a small economy in the region, Vietnam's active participation in APT cooperation has, more or less, encouraged the others to engage in this process. Third, while there is no doubt that ASEAN has played a leading role in initiating and advancing APT cooperation (Liu & Régnier, 2003, p. xxiii), Vietnam has attempted to maintain the leading role of ASEAN in APT cooperation. During the time of Vietnam's chairmanship from 2001 to 2002, the role of ASEAN was greatly improved. Under the chairmanship of Vietnam, as Tam (2001) has noted, ASEAN had great achievements including the progress in ASEAN's relationships with its Dialogue Partners (China, Japan and Korea), the establishment of official relations between ASEAN and the United Nations Secretary-General, the Non-Aligned Movement and the United Nations Development Program. Tam adds that "the ASEAN + 3 cooperation . . . has been expanded to cover new areas of cooperation" (Tam, 2001, para.5). Vietnam also supported the initiative to create an

ASEAN community as a direction for further cooperation among APT states - and lately, it has supported an initiative to shorten the time-frame for the establishment of the ASEAN community from 2020 to 2015 (Malaysian National News Agency, 2007).

Fourth, Vietnam continues to strengthen its bilateral relations with the three Northeast Asian countries, especially in trade and investment. For example, China's investment in Vietnam has increased from about US\$ 120 million in the 1990s to US\$ 1.1 billion from 2000 to 2006, and Japan remains the biggest donor of official development assistance to Vietnam (Ministry of Foreign Affairs of Japan 2006). The same trend appeared in Vietnam-Korea relations. In 2002, investors from Korea "accounted for about a quarter of all the cash injected into Vietnam" (British Broadcast Corporation, 2002, para.6) and it is now one of the top ten foreign investors in Vietnam. The development of bilateral relations between Vietnam and each of the three Northeast Asian countries partly contributed to promoting APT cooperation by increasing intra-regional trade and investment between ASEAN and the Northeast Asian countries. The final contribution of Vietnam to APT cooperation is its participation in inter-regional institutions such as ASEM, APEC and ARF. As a regional country, Vietnam stands together with other East Asian states to work for their own regional interests in relations with outside countries such as the United States and the European Union. In these institutions, APT countries working together as one group with one voice have increased cohesiveness and negotiating power. All of those efforts and activities on the part of Vietnam have contributed to promote APT cooperation since it started in the late 1990s.

Despite Vietnam's considerable contributions to the APT cooperation process, its contributions were not as great as expected by its top leaders. In reality, Vietnam has not proposed any breakthrough to accelerate APT cooperation. There are several reasons for this limitation. The first reason was the slow development of APT cooperation at the beginning and Vietnam's lack of experience in the regional agenda. Although started in 1997, not until 2000 did cooperative activities among APT states effectively emerge through a series of meetings at ministerial levels such as the first meeting of APT Foreign Ministers and the first meeting of APT Finance Ministers. In the beginning, APT countries only worked on what would be a direction for their cooperation in the future. Moreover, Vietnam lacked experience in managing regional agenda. Not until 1995 did it start to participate in a regional agenda by entering into ASEAN. Due to both of these realities, it was difficult for Vietnam to advance proposals for further APT cooperation. Secondly, there was a suspicion among ASEAN states that APT might become a vehicle for increasing China's influence on the region. This would disfavor the United States and, within the region, ASEAN itself was concerned that APT might become dominated by China and Japan (Miller, 2004, p. 12). Vietnam's adversarial relationship with the United States in the past, its political similarity with China and its need of Japan as a provider of official development assistance presented a dilemma. Any proposal to further APT cooperation might favor China but disfavor the United States or Japan and vice versa. It might be better for Vietnam to keep silent. Another important reason for Vietnam's limited contributions to regional cooperation initiatives is due to its lesser developed economy. APT consists of various economies ranging from one of the most developed

economies in the world - Japan – to some of the most underdeveloped ones such as Myanmar and Vietnam while economic cooperation is a priority in APT cooperation. Given its economic position in the region, it is not easy for Vietnam to put forward significant proposals for further cooperation among APT members. Finally, the principle of consensus among ASEAN states may be another reason. ASEAN's leading role in APT cooperation is critical to Vietnam because it helps Vietnam protect its national interest in a broader scale of cooperation. However, any proposals or initiatives that ASEAN members including Vietnam have in order to promote APT cooperation needs to take the other members' "consensus" into consideration. Despite the advantages of ASEAN's principle of consensus, it limits Vietnam's ability to make suggestions and ideas that would further APT cooperation.

ASEAN Plus Three cooperation is a phenomenon in which Vietnam has participated since its inception. The outgrowth of regionalism in every part of the world seems to indicate that regionalism is both inevitable and beneficial to every single state. Although it is widely believed that small economies grow faster if they enter into regional trade agreements with larger and more developed economies (Vamvakidis, 1998, p. 251), regionalism in general and APT cooperation in particular has not only benefited a small economy, like Vietnam but also has imposed various challenges to it. APT cooperation is now in progress and it seems to be an inevitable direction for cooperation in the East Asia region; therefore, it is important to analyze opportunities and challenges for Vietnam in this regional cooperation.

Opportunities from ASEAN Plus Three for Vietnam

Entering into APT cooperation, Vietnam has more new trade opportunities through regional agreements that reduce barriers such as tariffs to trade among member countries. New trade opportunities can increase the competitive capacity of Vietnam enterprises. With tariff reductions, reductions of transaction costs and more partners, Vietnamese export-oriented enterprises can expand their markets to other regional countries. There is a potential market for Vietnam's firms and companies because APT countries consist of a huge population, especially China's vast population. Because the larger markets mean more serious competition, the abilities of Vietnam's enterprises to compete can also be increased, although there is an idea that serious competition can be a challenge to Vietnam's enterprises (this challenge will be discussed in the next section). The possibility of bankruptcy may force domestic firms and companies to eliminate internal inefficiencies and increase productivity. Apart from enterprises and firms, people will also benefit from regional trade agreements. Every state tries to explore its own comparative advantages to produce cheap goods and services. As a result, people will benefit from cheap goods and services produced from the cheapest resources due to regional reallocation of resources. For instance, Vietnam has taken advantage of its big labor force to become an outsourcing center in the region in textile, garment and footwear industries. A study by Fernandez and Portes (1998, p. 202) shows that regional integration agreements enable member countries to benefit through increased scale and competition, usually when countries and their endowments are small and have a limited market size. With an assumption of an East Asia Free Trade Agreement which removes

all tariffs on bilateral trade between APT countries, Dung and Ezaki (2005) show a rise in both exports and imports for all countries, and a net benefit to all them.

Another opportunity that APT cooperation brings to Vietnam is foreign direct investment (FDI) which is considered as a key component of and has a great impact in national economic development. Theoretically, more competition in a larger market and improved policy credibility will enhance the incentives for foreign investors to seek business chances. Regional integration requires more credible policy and transparency from member governments. A study by Serven and Solimano (1991) shows that policy credibility is essential for attracting foreign investment. FDI contributes to not only raising incomes but also “introducing advanced technology to host countries” (Liu & Wang, 2003, p. 945). This argument is definitely relevant to the case of Vietnam since FDI from APT countries has played an important role in its economic development. The 2002 report of the International Monetary Fund indicates that about two thirds of the disbursed and committed FDI in Vietnam came from APT member states such as China, Korea, Japan and Singapore (Leproux & Brooks, 2004, p. 8). The important role of FDI was praised by Vietnam Deputy Prime Minister Pham Gia Khiem. Khiem said that FDI has helped accelerate Vietnam’s economic restructuring, industrialization, modernization, development of productive forces and job creation, and in 2007 FDI accounted for 16% of Vietnam’s Gross Domestic Product and 60% of its export earnings (Ministry of Foreign Affairs of Vietnam, 2007). He adds that FDI “provides an especially important source of capital to develop infrastructure, narrow down the development gap and reduce poverty” (Ministry of Foreign Affairs of Vietnam, 2007, para.5). For all these reasons,

attracting more FDI is one of the most important opportunities that APT cooperation can bring to Vietnam in contribution to its economic development.

APT cooperation also provides the opportunity for Vietnam to enhance its capabilities of bargaining in international negotiations through regional integration agreements. As a member of an APT group, Vietnam will be able to negotiate to protect its interests in international trade negotiations. Although every member in APT has its own national interests, each member will still benefit from working together as a group in trade negotiations with external partners such as the European Union and the United States. Additionally, empirical evidence shows that Vietnam's experience in ASEAN has already made it familiar with many norms and practices of international trade (Thayer, 2007). This experience facilitated Vietnam's participation in Asia-Pacific Economic Cooperation (APEC) and its negotiations in accessing the World Trade Organization membership (Thayer, 2007, p. 42). Following the same logic but on a broader scale, APT cooperation will help Vietnam increase its capacity for international negotiations with outside-region partners.

A paper from the Overseas Development Institute (2005) has indicated that a highly significant aspect of regional cooperation is that it provides the opportunity for member countries to fight poverty. Poverty can be reduced by regional cooperation through providing appropriate regional public goods. This opportunity to reduce poverty through regional cooperation can be seen in at least two ways. First, regional cooperation has a positive effect of growth on income distribution in member countries (Read, 2003).

There may be an argument that faster growth may cause dispersed income distribution but a study by Dollar and Kraay (2000) shows a correlation between the growth of average income and the growth of income of the poor. In fact, the growth of Vietnam's GDP has produced the growth in income of the poor. Dung and Ezaki state that in Vietnam "due to the liberalization of the agricultural product markets and the increase in export prices . . . rural income rose quickly and this benefited the rural poor" (2005, p. 202). The income of Vietnamese living in rural areas in 1999 increased 19.7% in comparison with that of 1996 (Asian Economic News, 2000). Second, regional cooperation can reduce poverty through many other routes such as investment in infrastructure programs and creating jobs. In order to attract FDI from regional countries, governments are willing to invest much more into infrastructure and give priorities to foreign investors in this area. It may not be a coincidence that the percentage of poor people in Vietnam reduced sharply since Vietnam started its regional cooperation with APT countries in the late 1990s. According to Vietnam's General Statistical Office (2003), the percentage of poor people decreased from 37% in 1998 to 15% in 2002. The increase in income of the poor and the decline of the percentage of the poor since Vietnam started its cooperation with regional countries may illustrate one of the positive effects of regional cooperation in poverty reduction.

One other opportunity that regional cooperation provides is related to its implications for security and conflict. Due to the economic integration, regional states become more dependent on each other. The more integrated the region becomes the higher degree of interdependence. Therefore, chances of armed conflicts may be

significantly reduced. The decrease of armed conflicts may be explained by the two following reasons. First, economic processes contribute to removing incentives for states to engage in armed conflicts or reducing “the uncertainty states face when bargaining in the shadow of costly contests” (Gartzke *et al*, 1986, p. 399-400). In other words, economic interdependence makes conflicts more costly. The other reason is that economic interdependence may pave the way for political integration. Regular political contacts can build trust and facilitate cooperation including security among regional states. Regional cooperation may include security agreements and mechanisms for resolving conflicts. The Treaty of Amity and Cooperation among ASEAN countries is a good example. As mentioned above, the benefits of regional cooperation in the areas of security and conflict are also what Vietnam expected when it decided to launch the renovation program and entered into APT cooperation. The security vulnerability of Vietnam makes these implications more significant. For instance, one of the resolution mechanisms for conflicts among APT countries was the signing of the “ASEAN-China Declaration on the conduct of parties in the South China Sea” in November 2002 (Amer & Thao, 2005, p. 435). Moreover, economic cooperation among APT states has made political and ideological differences less problematic. Southeast Asian countries used to view Vietnam as a communist threat to the region but nowadays, they view Vietnam as a partner. Consequently, political and ideological differences are not a source of conflicts.

Taken together, as a result, APT cooperation can provide Vietnam with a range of opportunities. Increasing competition and enabling Vietnamese enterprises to exploit business chances, encouraging foreign investment and introducing advanced technology,

promoting government policy credibility and transparency, and reducing poverty are some of key positive influences from APT cooperation for Vietnam. In addition, there are still other opportunities that ATP cooperation can provide for Vietnam. For instance, APT cooperation encourages the flows of tourists among member countries and provides collective action to deal with common issues such as transnational crimes, human trafficking and diseases. However, in order to realize and take advantages of these opportunities, Vietnam must be able to deal effectively with challenges posed by the APT cooperation.

Challenges from ASEAN Plus Three to Vietnam

With respect to negative impacts, the APT cooperation also imposes on Vietnam a variety of challenges which cover many security, social, economic and political areas. The first challenge from regional integration for Vietnam is the removal of tariff and non-tariff barriers. The removal of tariff and non-tariff barriers is required by regional cooperation when it further develops toward trade liberalization and regional free trade area. This challenge is especially critical in the case of Vietnam because it will lead to a loss in the government's income and negative impacts on domestic enterprises, such as more serious competition in business and bankruptcy. When Vietnam's economy was centrally planned, tax, including import-export tax, used to be the main source of the government's revenue. Revenue from import-export activities is significant for Vietnam and it now accounts for a substantial amount of the total government budget. For example, this amount was 30% of the total government budget in 2001 (Loc, 2001, p. 7).

To implement the ASEAN Free Trade Agreement alone, Vietnam has had to reduce tariffs for almost 84% of all products (Schmidt, 2004, p. 75). It is of course true that the reduction or removal of tariff and non-tariff barriers would lead to lower-price goods and services which benefit domestic consumers. However, Dung and Ezaki conclude that “tariffs constitute a major source of fiscal revenue in Vietnam; tariff reduction causes a sharp decline in fiscal revenue” (2005, p. 213). Another impact from tariff and non-tariff barrier removal challenges Vietnamese enterprises, especially private enterprises. Tariff and non-tariff barriers can protect domestic firms from regional competitors. For a long time, Vietnam’s economy was centrally-planned under the control of the government and the state-owned enterprises (SOEs) are still the key components of the national economy. Therefore, private companies are newly born and lack experience in international trade activities. Without protection from the government through its tariff and non-tariff barriers, domestic companies have to compete with foreign well-experienced competitors from large economies such as China, Thailand, Japan and Korea. The more liberal the trade in APT cooperation, the stronger the competition Vietnamese enterprises may have to face.

Although regional cooperation should result in substantial economic, political and security-related benefits, there is a concern that most of the gains from regional cooperation would accrue to the larger economies. As a result, Vietnam might become dependent on other economies and face many other social problems such as social unrest and pollution. This is also another challenge for Vietnam from APT cooperation. Due to the open market accession for regional countries, larger and developed economies will

gain additional benefits. Investors and competitors from larger economies such as Japan, China and Korea can access and dominate gradually Vietnam's domestic market. The low-price goods from China and technology-intensive products from Japan and Korea are challenging domestic producers. Vietnamese export-oriented companies are still not strong enough to compete in the regional market and their products to export are not high in values. Ngoc *et al* have indicated that there is no firm econometric evidence to suggest that exports are an engine of economic growth and development in Vietnam as they have been in other East Asian economies (2003, p. 211). As a result, this process will not only defeat domestic competitors but also cause the regional economic polarization in which Vietnam will belong to the lower level. Coinciding with the weak competition from domestic enterprises, the dominance of foreign firms and corporations increases economic domination from abroad. The economic interdependence may lead to other corollaries. A simple instance is that millions of Vietnamese workers are now working for Korean and Singaporean companies in different parts of Vietnam. Any decisions made by those companies may cause serious social unrest. Apart from that, because their highest priority is profits, foreign corporations may not pay much attention to sustainable development of the host countries, whereas their business may cause many social and environmental problems. For example, in Southern Vietnam many industrial zones dominated by East Asian investors have faced serious water pollution. According to the recent report from Vietnam's Ministry of Science and Technology, only one-fifth of the volume of water discharged into local rivers is treated whereas most of the treated water does not meet the required standards (VietnamNet, 2007).

Another challenge for Vietnam produced by regional cooperation is related to its state sovereignty and political economy. Thayer shows that “Vietnam is presently facing crunch time as the obligations of regional integration intersect with state sovereignty and highly sensitive issues involving political power and political economy” (2007, p. 43). It is necessary to keep in mind that Vietnam is pursuing a socialist-oriented market economy in which state-owned enterprises (SOEs) are the driving economic component of national economy. However, this state sector is now under domestic and external pressure to restructure and reform. Domestic private companies want government to treat every component of the national economy equally and both external enterprises and regional trade obligations press Vietnam’s government to not have a discriminatory policy. Owing to their privileged status in relation to the government along with the inefficiency in their management, the state economic sector has become a fetter in economic development. The inefficiency of SOEs has forced Vietnam’s government to reform the state sector through its program of “equitization” - the legal transformation of SOEs into joint-stock companies. From 2001 to 2005, Vietnam put 2,118 SOEs into equitization (Viet Nam News; 2006). The objective of the equitization program is to increase the competitive capacity of SOEs but the further the equitization program develops, the more the government loses its control and authority over this sector.

One more aspect of regional cooperation that challenges state sovereignty is the pressure to adjust Vietnam’s policy and laws. The liberalization of trade among regional countries implies that states have lost their tariff and non-tariff barriers as a tool of their authority. The trade relations between Vietnam and regional partners will be defined by

market regulations and regional agreements which are “formed and dominated by developed countries and as such, contain unequal and disadvantageous rules for developing countries, including Vietnam” (Ministry of Foreign Affairs of Vietnam, 2007, para.18). The trade liberalization also blurs the border between Vietnam and its neighbors. Vietnam has experienced thousands of years of war to protect its territory; the reducing of border significance may not be easy for a public consensus. In terms of making laws, Vietnam has to work for harmony between its domestic needs and various regional agreements. Vietnam must update and conform its legislation to regional norms, especially in foreign trade regulations. In many cases, the regional agreements may constrain domestic laws. For instance, regional agreements may require Vietnam not to subsidize its agricultural sector but this sector is very weak in competition and two-thirds of Vietnam’s population derive their income from agriculture. If Vietnam has to eliminate subsidies for agriculture, many people will be badly affected in regional competition. Further, it may cause social unrest that will affect the role of the state in society.

In addition, among serious challenges to Vietnam’s state sovereignty is the opening of highly sensitive sectors to private and foreign investments such as finance, banking, legal services and insurance. These areas have been under state control for a long time and they are not comprehensively marketized. Therefore, they are very vulnerable to competition from regional developed economies. For example, the opening of insurance to regional enterprises will cause Vietnam to lose a source of future investment in the local economy. Indeed, the Japanese Dai-ichi Life Insurance Company

is now the second largest foreign investment life insurance company in Vietnam and it continues expanding its services in other subsectors (Quang, 2008). Another area that has a strategic importance to Vietnam is telecommunication. While it is considered to be vital to Vietnam's national security, Mazyrin (2007, p. 98) contends that regional players can easily defeat the Vietnam Post and Telecommunication State Corporation (VNPT). The competition in these areas, in which private firms and SOEs are less capable of competing, threatens the Vietnam government's control over these sensitive areas. In other words, the emergence of foreign investors in particular highly sensitive areas is a challenge to state sovereignty.

A final challenge stems from the concern that APT cooperation might be "a bone of contention" among major powers, thus pushing Vietnam into such disputes (Nam, 2007, p. 124). There has been evidence showing that China and Japan are vying for influence in the region (Kang, 2006). China has attempted to initiate and accelerate an ASEAN-China Free Trade Agreement while Japan continues using its direct investment and official development assistance to create influence in Southeast Asian countries. The competition between China and Japan may cause an embroilment of division and intervention in Southeast Asia and the embroilment generates negative impact on peaceful and stable political environment in the region. Because of a long history of war and intervention and its geographical position as a bridge between Northeast Asia and Southeast Asia, Vietnam needs a peaceful and stable environment to develop its economy. However, the similarity in political system between Vietnam and China is actually a factor that can make Vietnam more vulnerable in this situation. Vietnam needs

both China's political amicableness and Japan's official development assistance and direct investment for its economy (Nam, 2006, p. 125). This is not a problem of great concern but there is no doubt that it is a challenge to Vietnam in APT cooperation.

It is inevitable for Vietnam to join in APT cooperation. However, apart from many valuable opportunities for economic development and political and security-related implications, APT cooperation has been presenting a variety of challenges to Vietnam. The above discussed challenges are several key ones among the many obstacles that Vietnam has to overcome in order to take advantage of APT cooperation. Therefore, what should be done in order to effectively take advantage of opportunities and reduce the impact of challenges in APT cooperation? It is critical to discuss some recommendations for Vietnam.

Some Recommendations for Vietnam in ASEAN Plus Three

In order to successfully participate in APT cooperation, Vietnam has to both improve its internal strengths and take advantage of the current cooperative environment in the region. As a developing country, it is hardly possible for Vietnam to have much influence on making region-common policies that favor its national interest. Therefore, it is important to increase its internal ability in regional cooperation. At the first stage of regional cooperation and competition, Vietnam is not able to compete with APT members in technology-intensive production. It is crucial to improve the competitive capacity of Vietnam enterprises including private enterprises and SOEs to make the most of business opportunities from APT cooperation. The first way to increase competitive

capacity of domestic enterprises is to identify Vietnam's comparative economic advantages such as its tropical agriculture, an abundant source of labor with various skills and its geographical position as a bridge between Northeast Asia and Southeast Asia. Comparative economic advantages will help Vietnamese firms successfully compete in regional markets. Secondly, the government has to encourage the private sector and the business community to play a greater role in all regional cooperation efforts. The private sector can contribute both human and financial resources to regional cooperation. Thirdly, despite potential negative impacts on state sovereignty, the Vietnam government should continue its transformation of SOEs into joint-stock enterprises. The equitization of SOEs will help increase their competitive ability. The inefficiency of SOEs and their inability to compete regionally are evidence to support the continuation of the equitization program. Nevertheless, in order to favor private sectors and increase domestic enterprises' competitive capacity, legal economic institutions should be reformed and established.

In terms of legal institutions, Vietnam has to carry out "economic institutional reforms covering commerce, investment, banking, finance and administrative procedures, etc. following market orientation" (Loc, 2001, p. 11). Vietnam's current legal system is still "deficient and inconsistent, especially in economic and trade areas. Many legal provisions are obsolete as compared to international practices in economics, trade and investment" (Ministry of Foreign Affairs of Vietnam, 2007, para.12). For example, the determination of interest rates is not market-based and the commercial banking system is poor in both technology and services. These shortcomings in the legal system have

hindered the development of different economic sectors. Consequently, Vietnam has to reform its legal system and promulgate an adequate and synchronic economic policy framework that not only encourages various economic sectors to develop but also is appropriate to regional economic and trade norms. It is greatly necessary to establish a national institution that is in charge of APT cooperation. The APT cooperation institution needs to analyze developing trends in regional cooperation in order to provide advice and guidance to the government and business community. This institution needs to have analytical capacities, such as in predicting the effects of APT cooperation to Vietnam, to ensure that national policies and decisions are in line with regional cooperation efforts and vice versa.

In order to build an effective institutional system and provide useful consultant services to both the government and business community, it is essential to develop human resource and research capacities. Both personnel training and research should focus on designing and implementing policies. Personnel training needs implementation at both governmental and local levels, including personnel from both the state sector and the private sector in order to enhance participation of various economic sectors. In the long run, Vietnam's government needs to consider the trade-off between basic and vocational education or skill training in order to effectively use its limited resources for human development. Because of the close relations between human resource development and education, the national government has to improve educational quality and the structure of education at the national level. The government should mobilize other social and economic sectors to participate in human resource development such as investment from

private sector in education and research. Attention must also be paid to creation of an appropriate educational structure which must balance the different types of education such as vocational education and basic education. In fact, Vietnam's government has started to restructure its educational system but there has not been a consensus on how to restructure the educational system and more seriously, the number of drop-out students is increasing in recent years (VietnamNet, 2008). It takes a long time to develop high quality human resources but human resources play the most important role in almost all areas in national development including regional cooperation and competition in APT framework.

Regional cooperation is not only based on government policy but it also depends on the support from the society; therefore, there is a need to focus attention on the involvement of civil society. In other words, it is critical to raise public awareness of APT cooperation. Capie has shown that in East Asia, there is "the failure of regional leaders to import new regional understandings into their domestic societies" (2003, p. 158) while success in regional cooperation needs an active participation from a wide variety of groups including trade unions, employer's organizations and private firms. The participation of these groups will keep APT cooperation at the top of economic and political issues in society. This may encourage the government to be confident in APT cooperation. Moreover, raising awareness of APT makes the public and business community aware of challenges and severe competition from regional cooperation. Accordingly, it makes the society prepared for dealing with challenges and taking advantage of opportunities in APT cooperation.

Another suggestion for Vietnam in APT cooperation is that Vietnam should contribute to maintaining the role of ASEAN as a coordinator in APT cooperation. APT cooperation was initiated and coordinated by ASEAN. ASEAN members have shared most of the same challenges and opportunities in APT cooperation because of their similarity in economic development and market size. Therefore, if ASEAN maintains its role, its voice in any APT cooperative activities will be strong enough to protect the interests of its members including Vietnam. Moreover, the key principle of consensus and nonintervention in ASEAN is an indispensable tool for small ASEAN economies to protect their interests. This principle may be useless if ASEAN loses its leading role in APT cooperation. There is a concern that ASEAN Plus Three may become “Three Plus ASEAN” in which the three Northeast Asian economies will take the leading role in regional cooperation. If this scenario becomes true, small ASEAN states may be faced with disadvantageous regional trade practices and norms proposed by the larger and more developed economies. Clearly, the leading role of ASEAN in APT cooperation is critical to Vietnam. In addition, Vietnam has to improve its position in ASEAN. In order to do so, Vietnam needs to make proposals and initiatives to promote ASEAN cooperation, and should be willing to host ASEAN events.

Finally, Vietnam should continue widening its international cooperation with other partners and organizations outside the APT framework such as the United States, Australia, EU, Russia, the United Nations and the World Trade Organization. The participation and relations of Vietnam in these international organizations and partners will promote its position in the international agenda and more importantly, will signal its

neutral attitude towards regional and international cooperation. This is important because it protects Vietnam from possible political embroilments among major powers.

Furthermore, Dung and Ezaki (2005, p. 214) suggest that the benefits for Vietnam from cooperation with non-APT partners will contribute to balancing its trade deficit with APT partners. The broader international cooperation will also help Vietnam make the best use of its economic comparative advantages and increase market accession to its exports. In short, along with APT cooperation, international cooperation contributes to developing Vietnam's economy and reduces challenges from APT cooperation.

APT cooperation started in the early 1990s and continues to develop. The continuing participation of Vietnam in this regional cooperation is inevitable. However, because of many reasons such as its small market size and less developed economy, Vietnam's contributions to promoting APT cooperation are still limited. APT cooperation has brought to Vietnam a variety of opportunities such as more business opportunities for Vietnamese enterprises, more foreign direct investment and other political and security-related implications. Nevertheless, APT cooperation has also been imposing many challenges on Vietnam including the stronger competition from larger and more developed economies, loss of government revenues and especially, the impacts on state sovereignty. The efficiency of Vietnam's participation in APT cooperation depends upon its ability to take advantage of opportunities and reduce negative impacts from challenges. In order to maximize benefits from APT cooperation, Vietnam has to increase its enterprises' competitive capacities by reforming and improving legal institutions and policies. Also, Vietnam has to develop its human resources in the long run for regional

cooperation. Raising public awareness and the involvement of the society in APT cooperation framework, maintaining the leading role of ASEAN in APT cooperation and continuing its international cooperation with other organizations and partners outside APT basis are some other recommendations for Vietnam in APT cooperation.

This chapter has taken Vietnam, a developing country, as an example in the case of regionalism in East Asia. The case of Vietnam has further illustrated that one state pursues regional cooperation because of its own national interests but the way it participates in regional cooperation is defined by many concrete conditions. It may be possible to conclude that concrete conditions of each country such as economic development, political regime and history contribute to the previous chapter's conclusion that small states have not followed a single clear path to regionalism and one or more theories may not be able to provide an appropriate explanation for regionalism, at least in the case of East Asia regionalism and Vietnam.

CHAPTER V

CONCLUSION

East Asia regionalism emerged in the early 1990s and took off at the end of the same decade. It is widely considered as an integral part of a new wave of regionalism in the world politics. East Asia regionalism started in the context of the end of the Cold War, the break-up of the Soviet Union, the end of the bipolar international structure, the development of globalization and was greatly accelerated by the 1997 Asian financial crisis. Since its inception, East Asia regionalism has attracted much attention from the academic community. Almost every aspect of regionalism in East Asia has been explored in depth with the exception of the application of theoretical explanations to East Asia regionalism. This paper has attempted to apply theoretical explanations to East Asia regionalism from the perspectives of two principle theories in international relations: neo-realism and neo-liberalism. Specifically, some key assumptions of neo-realism and neo-liberalism have been tested with the empirical evidence found in East Asia regionalism. In order to further illustrate the discussion, Vietnam - an East Asian country - has been examined as a case study.

Although the study of “region” and “regionalism” in world politics has produced a huge literature which is diverse not only in insights but also in assumptions, the review of the literature on “region” and “regionalism” has indicated the appropriateness of the concept of “East Asia” and “East Asia regionalism” that is used in this paper. Both neo-

realism and neo-liberalism can find evidence in East Asia to support their assumptions pertaining to regionalism in world politics but still neither can find evidence to explain some moves in East Asia regionalism. Neo-realism has found considerable evidence in East Asia regionalism to support its assumptions. The coincidence between the inception of East Asia regionalism with the outgrowth of regionalism in every part of the world such as the unprecedented expansion of the European Union and the development of North America Free Trade Agreement has proved that East Asia regionalism is a response to external threats or challenges. However, neo-realists have not found strong evidence for their argument about the role of the hegemon in promoting regionalism and the incentives of the small states to participate in regionalism. The role of China and the United States in East Asia regionalism has proved the inappropriateness of this neo-realist argument. The responses of small regional states toward East Asia regionalism have not followed a single clear path. Instead, they have various attitudes towards regionalism in different issue areas.

Economic interdependence among East Asian states in the long term supports the neo-liberalist argument that economic interdependence is one of factors promoting regional cooperation. However, the peak of East Asia regional cooperation during a time of a lessening in economic interdependence among East Asian countries has not followed a key neo-liberalist premise. Interest groups in East Asia have greatly contributed to promoting regional cooperation but their influence on government policy toward regionalism is very small. Regional governments are still maintaining their autonomy in making policy on economic and regional cooperation. The weak influence of interest

groups on East Asian governments has not been in line with the neo-liberalist argument that governments are inclined to regionalism because of pressure from interest groups.

The case study of Vietnam in East Asia regionalism has illustrated a perspective from a developing country in regional cooperation. Although Vietnam has participated in East Asia regional cooperation through ASEAN Plus Three cooperation since it started, its incentives and participation in regional cooperation depend on both domestic and external factors. Regional cooperation has not only produced opportunities but also imposed a variety of challenges on Vietnam. The incentives of a state definitely depend on the calculation between opportunities and challenges. It appears that neo-realist argument is more suitable in the case of Vietnam. Vietnam expected that its participation in East Asia cooperation would prevent it from security vulnerability and Vietnam seeks economic interdependence with regional countries as a means to ensure its security. In addition, Vietnam views regional cooperation as a means to constrain China in territory disputes when it decided to join ASEAN and APT cooperation. In contrast, neo-liberal arguments may be less suitable in the case of Vietnam. Vietnam was a centrally-planned economy; this country enters into regional cooperation to increase its economic interdependence with other countries. It is not economic interdependence that forces Vietnam to engage in East Asia regionalism. Moreover, Vietnam's centrally-planned economy means that interest groups did not have much influence on the government policy to participate in regional cooperation.

The application of neo-realism and neo-liberalism in East Asia regionalism has been significant. First, this application has considered the relevance of theoretical assumptions to a concrete case study. Second, the findings have pointed out the characteristics and the complexity of East Asia regionalism. Third, the application of neo-realism and neo-liberalism in East Asia regionalism suggests that one or two theories may not provide an appropriate explanation to the development of regionalism, at least in the case of East Asia regionalism. The discussion of East Asia regionalism also suggests the role of other factors such as regional cultural identity and regional history in regionalism. As a result, it invites further discussion and explanations from other theories in international relations such as Constructivism and Regime Theory.

At the time of writing the last chapter of this paper, the world community is witnessing a global food crisis which has been affecting many countries in the world. The price of many basic commodities has doubled over the past three years and this has caused hunger and violence in several countries (Dunphy, 2008, p. A08). Within East Asia, the food crisis has caused social unrest and political turmoil in some countries. While the surging price of food is the “most important problem” in Malaysia, in Indonesia, “the biggest concerns is food riots” (Lacey, 2008, para.14). The Philippines, the world’s biggest rice importer, has suffered badly from the global food crisis. The Philippines government has “deployed troops to deliver rice to the poor and ordered police to arrest rice hoarders amid a general panic about food shortages” (Linh, 2008, para.4). Norrie (2008) adds that even Japan, the richest nation in the region, is also threatened by the global food crisis because this country relies too heavily on imported

food to meet its domestic needs. The food shortage in East Asia has become worse because Vietnam and Thailand, the two biggest rice exporters in the world, have tightened limits on their rice exports. The global food crisis has had an impact on East Asian regional cooperation. On the one hand, the fact that Vietnam and Thailand have limited their rice exports has created shortages which have worsened the food crisis in neighboring countries such as Malaysia, Indonesia and the Philippines. On the other hand, both Vietnam and Thailand have committed to helping the Philippines by shipping emergency rice to Manila (Javier, 2008). One may argue that the limits on rice exports of Vietnam and Thailand might affect negatively East Asian cooperation but these moves of Vietnam and Thailand in the midst of the global food crisis demonstrated the need for East Asian countries to have further and committed cooperative programs in order to deal with common problems in the future. The food crisis and its consequences will be one of the most important topics of East Asia leaders' next meeting. The global food crisis, with other regional common issues, has the potential to push East Asia regionalism forward.

APPENDIX**ABBREVIATIONS AND ACRONYMS**

ACEGEC	ASEAN-China Expert Group on Economic Cooperation
AFTA	ASEAN Free Trade Area
AMF	Asian Monetary Fund
APEC	Asia-Pacific Economic Cooperation
APT	ASEAN Plus Three
ARF	Asian Regional Forum
ASEAN	Association of Southeast Asian Nations
ASEM	Asia Europe Meeting
CMEA	Council for Mutual Economic Assistance
EAC	East Asia Community
EAEC	East Asia Economic Caucus
EAEG	East Asia Economic Group
EASG	East Asia Study Group

EAVG	East Asia Vision Group
EEC	European Economic Community
EFTA	European Free Trade Association
EU	European Union
FTA	Free Trade Agreement
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
NAFTA	North America Free Trade Agreement
NAM	Non-Aligned Movement
NATO	North Atlantic Treaty Organization
SEATO	Southeast Asia Treaty Organization
SOE	State-Owned Enterprise
TAC	Treaty of Amity and Cooperation
WTO	World Trade Organization

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