

Regional Financial Solidarity without the United States: Contested Neoliberalism in East Asia

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A central paradox of modernity, then, is that a wide range of cultural forms can be found in different nations' instrumental institutions despite the fact that all of those institutions are purportedly oriented to a unitary set of economic laws. (Dobbin 1994)

One of the most conspicuous phenomena in East Asian economic relations in the aftermath of the Asian financial crisis of 1997-1998 (hereafter AFC) is arguably the emergence of what William Grimes calls "East Asian financial regionalism," which he defines in terms of "[East Asian states'] attempts to reduce currency volatility, to create frameworks to contain financial crises, and to develop local financial markets" (Grimes 2009, 2). Under the auspices of ASEAN plus Three (the Association of Southeast Asian Nations plus China, Japan, and Korea), which was created in 1999 by East Asian states as a forum for regional economic cooperation, three major financial initiatives have been undertaken: the Chiang Mai Initiative (CMI), in 2000, a framework to contain financial crises; the Asian Bond Markets Initiative (ABMI), in 2002, for the development of local financial markets; and the 2006 agreement to conduct in-depth research on the feasibility of an Asian Currency Unit (ACU) to manage volatility in exchange rates and currency arrangements.

Apart from the more formal and institutionalized form of this regional economic cooperation, what is most critical about it is its exclusion of the United States. Also excluded are such other Western members as Australia and New Zealand, which have been more active in the Asia-Pacific Economic Cooperation, or APEC, forum. Hence East Asian states, for the first time in a long while, have started to define Asia or East Asia apart from the Asian-Pacific as a whole. As a region, post-crisis Asia seems to have become a "regional society/regional community" capable of "articulating the transnational interests of



the emerging region” (Hettne and Söderbaum 2000, 3-4).¹

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

Although these rationalist accounts are suggestive, they have not been empirically corroborated.² Rationalist accounts cannot capture the timing and content of emerging East Asian financial regionalism. First, with regard to the Asian financial crisis, there were no meaningful indications of change in either the military or the economic power structure before or after the crisis occurred (Ravenhill 2002, 169-172). Second, because of the negative economic effects of the crisis, the share of the intraregional trade for East Asia has declined in the post-crisis era while the overall export performance of each state in the region has consistently risen. This increase simply means that Asian states have relied more on external markets for their exports than on internal markets. As such, this material incentive for interregional trade could have led them to pursue a regional arrangement that would include as many important external trading partners as possible in an attempt to capitalize on the external partners’ markets. But if this analysis is true, the exclusion of the United States would not be logical. Third, the domestic interest group version of neoliberalism (Moravcik 1997) also does not account for the exclusion of the United States. Private sectors in East Asia have been at best ambivalent about their governments’ initiatives on exclusive regional groupings (Hund 2003; Ravenhill 2002, 173-174).³ Moreover, the prime drivers of post-crisis regional integration in favor of more government-involved regional institutionalization have been policy elites comprising government officials and members of the epistemic community (Tsunekawa 2004).⁴ Building on previous constructivist works that emphasize the decisive role of the Asian financial crisis in directing post-crisis East Asian regionalism (that is, the resentment on the part of crisis-affected Asian countries at the intrusion of the neoliberal approach of the United States and the International Monetary Fund),⁵ I account for the development of East Asian financial regionalism by demonstrating the linkage between particular forms of regional institutional development and the perceptions and self-understanding of relevant regional actors. As discussed below, however, previous constructivist studies tend to fall short of clearly identifying the *content* of this shared regional identity (or regional collective selfhood) and its historical underpinnings that have promoted its institutionalization and the exclusion of the



United States from membership. To predict where East Asian regionalism is institutionally headed, more explanation of where it came from is needed.

To fill this gap, I take a view that is historically sensitive and that highlights the process-oriented, interactive development of the kind of collective self-understanding, solidarity, or “groupness” that can make certain kinds of collective action possible. In so doing, I employ both induction and deduction. Analytical steps taken are as follows: I do not assume a priori the existence of a certain “identity” shared by East Asian states. Instead, using the method of induction, I analyze a series of East Asian states’ confrontations with the United States in various regional forums to uncover the content of an emerging regional collective identity. My findings suggest that East Asian states have confronted the United States as part of their collective understanding of the legitimate role of the state in instituting and safeguarding the so-called self-regulating market for economic development and stability.

From these inductive observations, I deductively posit that this shared “economic policy paradigm,” defined here as “the institutionalized principle(s) of policy action that structure the . . . way in which policy-makers see the world and their role within it,”⁶ has shaped the development of East Asian financial regionalism. This “institutional rationality” embodied in the economic policy paradigm (the historically and culturally developed cause–effect understandings of economic governance),⁷ I argue, informs Asian states’ conception of *rational* economic order, which here manifests in the form of exclusive monetary cooperation. I illustrate this theoretical underpinning by examining the ways in which the CMI, undertaken in the year 2000, has developed since then. The Chiang Mai Initiative is regarded as the most important institutional development that defines post-crisis Asian monetary cooperation.⁸ For specific empirical discussion, I develop below two testable hypotheses drawn from inductive observation.

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

With regard to what this essay does *not* do, there are three interrelated issues to be clarified. I do not claim to offer an airtight linkage between collective identity-driven institutional rationality and the particular institutional shape of, say, the CMI. Since this



paper does not engage in the detailed dynamics of East Asian states' negotiations in institutionalizing the CMI, my claim must be modest. As such, my empirical and theoretical arguments are limited to identifying the *parameters* of the institutional preferences informed by the emerging collective self-understanding of East Asian nations. I use the case of the CMI only as a way to suggest the institutional parameters and their associated applications to the initiative's development. Relatedly, I do not make any claim about the "real" intention or motivation of East Asian states' identity discourses when I analyze them. This question is pertinent, but goes beyond the scope of this paper. (Such analyses will be carried out in future through examinations of the actual bargaining and negotiation processes.) Lastly, given the emerging and still contingent nature of regional institution building in post-crisis East Asia, the implications of this study for the future of East Asian financial regionalism can only be speculative.

That said, I proceed as follows. The first section suggests a more specified version of constructivism in analyzing the institutionalization of regional integration through the politics of inclusion and exclusion. The second section inductively uncovers the content of an emerging East Asian regional identity and process of institution building from which the United States is excluded. The third studies the development of the CMI in light of the collective identity-driven institutional rationality discussed in the previous section. The final section concludes with a few reflections on the future development of East Asian financial regionalism and the role of the United States in relation to it.

Identity as Regional Boundary Marker

In constructivist theorizing about regionalism, regionalism essentially involves the politics of identity (or the politics of "historically variable relational embeddedness" in Margaret Somers's [1994] words). On the one hand, regions are politically and socially constructed and contested. They are not the outcomes of the naturally given. On the other hand, any regionalism inevitably draws lines, creating borders between members and nonmembers. In other words, the establishment of the self is always practiced by drawing the boundaries of the self in relation to significant others. Regionalism needs a boundary to differentiate insiders (members) from outsiders (nonmembers). A regional sense of "we-ness" or "who we are as a region" demarcates insiders from outsiders and determines the boundaries of the region. As such, a sense of "we-ness" is empirically observable from the politics of inclusion and exclusion in the formative processes of the establishment of regional



boundaries.⁹ As T. J. Pempel notes (2003, 25), regions “vary with the policy issues that confront a region.” In this constructivist vein, quite a few studies have tackled the puzzle of the exclusive form of the post-crisis Asian regional institution-building process. For example, Higgott (1999), Bergsten (2000), Dieter and Higgott (2002), Stubbs (2002), Terada (2003), and Yu (2003) all identify the ASEAN plus Three (APT) process as a clear, institutional manifestation that reflects a deepening sense of regional “we” consciousness in a more tightly defined East Asian context (Dieter and Higgott 2003). These observers commonly point to the importance of the APT states’ shared experience of the Asian economic crisis, which is inseparable from their “shared” resentment of the U.S.-led IMF response to the crisis.¹⁰ The crisis fostered a sense of common identity, and Asian states’ new quest for an exclusive form of East Asian regionalism after the crisis is nothing but the effect of the consolidated area regional identity on states’ interests and strategies. This positive correlation seems to offer a better explanation for East Asian states’ increased interest in an exclusionary regionalism.

Constructivist scholarship on East Asian regionalism, however, has not so far offered a shared consensus on what constitutes “East Asia,” a regional identity construct that has significant causal power over the formation of East Asian regionalism (Dieter and Higgott 2003).¹¹ If Peter Katzenstein is right in suggesting that “regions are social and cognitive constructs that are rooted in political practice,”¹² the clarification of the *content* of such a shared identity as “East Asia” is indispensable to providing the basis for the nature of Asians’ attempts to exclude the United States from their regional institution-building efforts. As developed in an identity-based causal model used elsewhere by constructivist scholars, the content of East Asian identity is the fundamental source of the causal relationship that critically affects states’ decisions regarding what degree of regional integration to pursue with whom (Berger 1998; Abdelal 2001; Abdelal, Herrera, Johnson, and Martin 2001; Hopf 2002; Lee 2006). But the current status of constructivist scholarship on East Asian regionalism, which shies away from stating the content of East Asian identity in a compelling fashion, provides no credible *empirical* basis upon which a sense of East Asian collective identity distinguishes “us” from “them” in constructing an exclusionary regionalism. If one agrees with Paul Bowles (2002) on characterizing post-crisis Asian regionalism as “bringing the state back in, keeping the United States out,” one has to locate a firm basis upon which this has been taking place in post-crisis Asia. The content of East Asian identity is a “generative grammar” or a “taken-for-granted constitutive rule” that guides the operation of the structure of identity and interests.¹³

Furthermore, currently constructivist studies have not yet offered a means to link collective identity-driven institutional rationality with the concrete institutionalization



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

According to Richard Scott, for example, an institution consists of three basic dimensions—regulative, normative, and cultural-cognitive. The regulatory dimension entails legal, constitutional, and other rules that constrain and regularize behavior. The normative dimension consists of principles that prescribe the goals of behavior and the appropriate ways to pursue them. The cultural-cognitive dimension involves the culturally shaped, taken-for-granted assumptions about reality and the frames through which it is perceived, understood, and given meaning (Scott 2001, chap. 3). As such, in seeking to explain institutional change, one has to be specific about which dimension of the institution is under investigation; different methods of data gathering are called for, depending on the analytical and empirical focus.

What is intriguing about this three-dimensional analysis here is the sequential relations of the three dimensions that lead to institutional change as hypothesized and tested by organizational institutionalists. John Campbell (2004, 69-74, 145-151), for example, specifies that institutional change tends to start with change in the cultural-cognitive dimension, which in turn leads to change in the normative and regulative dimensions of the institution. The content of collective identity is regarded as important as one type of the cognitive framework that affects how actors perceive their interests as they build institutions.¹⁴ Campbell (2004, 97-98) offers an example from Hattam's work that demonstrates the sequential change from the cultural-cognitive to the regulatory institutional dimension:

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

As such, if one broadly conceptualizes East Asian financial regionalism as an example of the institutional change from inclusive (or open) to exclusionary regionalism, this sequential insight from the organizational institutionalist literature (along with the three



conceptual dimensions of institutions) provides useful guidance for researchers. Theoretically, the insight that change occurs sequentially offers a more specified testable or trackable hypothesis for exploring the relationship between collective identity-driven institutional rationality and the concrete institutionalization process of exclusionary regional integration. Empirically, the three conceptual dimensions inform what evidence should be sought and the methods to use in the search. In the case of the cultural-cognitive dimension, for example, one needs to empirically track the dominant discourse and thought of, say, Asian policy elites to determine how their cognitive conceptions of East Asia and the United States have changed. In the case of the regulative dimension, one needs to pay close attention to the institutionalization of the formal means (that is, regulations, rules, and enforcement procedures) of regional integration, such as the development of the Chiang Mai Initiative.

In what follows, I seek to show empirically the validity of the sequential framework. I examine the content of an emerging, regionally shared identity called “East Asia” in the sphere of regional economic integration (the cultural-cognitive dimension). This effort will help to find explanations for the emergence and development of East Asian financial regionalism. By examining the development of the CMI with specific, testable hypotheses, we can link the cultural-cognitive dimension and the regulatory one.

Uncovering East Asian Regional Identity

What is it about the content of the East Asian identity that has resulted in the exclusion of the United States from regional institution building since the Asian financial crisis?¹⁵ Because identity is socially and discursively constructed in relation to that of another identity construct, I analyze how the identity of East Asia (or Asia) has been discursively produced and reproduced in relation to the United States (or the West) by Asian political elites who spearheaded the formation of post-crisis Asian regionalism.¹⁶ A method of inductive uncovering of this content is to find a “(common) generative grammar” used by East Asian states in confronting the United States in various regional forums. By analyzing three cases of East Asian states’ resistance to U.S. (or Western) imposition of “disembedded” liberalism (Polanyi 1944; Ruggie 1982) onto Asia and the Asian states’ legitimation of their resistance, I demonstrate that the content of East Asian identity shared among East Asian states (ASEAN plus Three) is embedded in their shared understanding of the legitimate role of the state in instituting and safeguarding the self-regulating market. The U.S.



imposition of a “disembedded” liberal order onto East Asia throughout the 1990s played a pivotal role in differentiating insiders from outsiders, thus creating a space for the development of a shared regional identity that supports governments in assuming much more direct responsibility for their nations’ economic development and stability (Amsden 1989; Wade 1990, 1996; World Bank 1991, 1993). Three key events have shaped the emergence and consolidation of East Asian identity: the APEC Osaka meeting in 1995, Japan’s AMF proposal in 1997, and the development of ASEAN plus Three in the post-crisis period.

APEC Osaka Meeting and Asian Coalition

Ever since APEC was established in 1989, a difference of emphasis (if not a conflict of interests) between the United States and Asian member states regarding the group’s purpose has been visible. The United States prefers to use APEC as a forum to facilitate trade and investment liberalization processes by negotiating binding trade and investment rules, while the Asian states assign greater weight to APEC’s role in facilitating cooperative development among its members (Funabashi 1995; Baker 1998; Tussie 1998). The United States increasingly pushed for the institutionalization of APEC along liberal lines in the early 1990s, and its efforts bore fruit with the Bogor Declaration in 1994, which laid out a liberalization timetable for member states. The Bogor Declaration was, however, not wholeheartedly accepted by every member state. For example, Malaysia, Thailand, and China (along with some other states) did not hesitate to express their reservations about the declared liberalization processes. Nor were Japan and the Philippines enthusiastic about it. In this context, Japan hosted the APEC annual meeting in Osaka in 1995. The major issue there was whether or not to expand further and spell out more specific goals for the APEC liberalization process that had gained sizable momentum after the Bogor Declaration. Many Asian member states became increasingly wary of U.S.-led liberalization agendas that essentially meant a considerable reduction in the role of the state in organizing both international and domestic economic activities. As such, the choice presented to member states at the Osaka meeting was whether or not to endorse U.S. (or Western) free market ideals (Johnstone 1995a,b). Depending on the negotiated outcome(s), the Osaka meeting could have been a defining moment not only for the future of the APEC in terms of its main institutional purpose but also for Asian regionalism in terms of its embrace of liberalization or developmental cooperation.

What came out of the Osaka meeting was the first, embryonic form of an East Asian developmental alliance that “succeeded in eviscerating virtually all traces of the type of



liberalization program sought by the United States” (Rapkin 2001, 389). Instead of the more structured, rule-binding liberalization processes advocated by the United States and Australia, what emerged was “voluntary, unilateral, consensus-based, non-binding, lacking common timetables, and uncertain as to comprehensiveness and comparability of members’ effort” (Rapkin 2001, 389). Apart from the ASEAN countries, the “plus three” members China, Japan, and Korea joined forces to restore balance to the overall APEC agenda, which they claimed had become too heavily skewed toward liberalization. Yoshiro Sakamoto, vice-minister of international affairs of MITI, argued that “Japan should keep step with the rest of Asia by agreeing only to those U.S. proposals that are acceptable to the whole of Asia” (cited in Rapkin, 400). According to an internal MITI memo, the economic liberalization initiated and pushed by the United States seemed to be “forcing Minor league players to play in Major league games.”¹⁷

These sorts of confrontations between Asian member states and Western member states on the main institutional purpose of APEC continue today. As Mark Berger (1999) puts it, one of the principal reasons for APEC’s failure to fulfill the hopes of its supporters has been its inability to accommodate and represent the very different “Asian” and “Western” impulses contained within it. This confrontation is important, for within it lie the seeds that will allow East Asia to develop a regional identity. Douglas Webber (2001, 357) comments that “the creation of an at least limited sense of identity among East Asian states can be attributed to the perception of sharing a common opponent in APEC conflicts.” The Osaka meeting provided a venue for registering an embryonic, intersubjective understanding of what constitutes “East Asia (or Asia)” among the future ASEAN plus Three members. If the earlier proposal by Malaysia’s prime minister Mahathir for an East Asian Economic Grouping (EAEG) “removed the taboo” associated with the Japanese Greater East Asian Co-Prosperity concept, APEC ironically provided the venue for “rediscovering” and “reasserting” “Asianness” (Oga 2004, 305-307; see also Terada 2003).

The Asian Monetary Fund

In the context of the development of an Asia-only form of regional economic cooperation, a significant aspect of Japan’s Asian Monetary Fund (AMF) proposal, which was announced, with support from other Asian states, by the Japanese finance minister at the annual meetings of the World Bank and the IMF on September 21, 1997, is the proposal’s intentional exclusion of the United States from AMF membership. Why did Japan propose the creation of the Asian Monetary Fund? Upon what basis did Japan exclude the United



States from membership? Why did the Asian states support Japan's initiative?

As I have argued elsewhere (Lee 2006), the immediate cause of Japan's AMF proposal lies in Japan's interest (as a leader of a state-led economic development model) in defending the Asian model of economic development against the U.S.-led IMF bailout operation in Thailand. But Japan's confrontation with the IMF did not come about automatically, as is evident in Japan's insistence that it would provide the Thai government with financial assistance only on the condition that Thailand first seek IMF help. Japan gave serious consideration to creating the AMF only *after* "the discursive demolition of the Asian development model ('crony capitalism') by the U.S. Treasury Department (Robert Rubin and Lawrence Summers) and the IMF (Hall 2004). Summers (1998), for example, asserted that "the problem with this model of economic development is that while it was built on the fundamentals—on high savings, high levels of education, and hard work ... [it] ... favored centralized coordination of activity over decentralized market incentives. Governments targeted particular industries, promoted selected exports, and protected domestic industry. There was a reliance on debt rather than equity, relationship-driven finance not capital markets, and informal rather than formal enforcement mechanisms." Eisuke Sakakibara, vice-minister of the Japanese Ministry of Finance (MOF), who was the architect of the AMF proposal, recollected from his conversations with Rubin and Summers:

I was saying from the outset that this [the Thai crisis] was a crisis of global capitalism. But in 1997, Larry's view and Bob Rubin's view were that it was an Asian crisis, and especially Asian policy management was the problem—Asian governments, Asian corruptions and collusions, and the Asian structured economic system, which is close to the structure of the Japanese.¹⁸

In this context, after several consultations with other Asian countries, Japan (the MOF) finally decided to launch the AMF as a regional financial mechanism for quick disbursement of funds so that the countries affected by the crisis could defend the Asian model of economic development against the U.S.-led IMF's imposition of neoliberal economic order onto Thailand and the other affected countries. But once Japan's plan to exclude the United States became known, Japan faced strong opposition from the United States and the IMF even before its official proposal for the AMF was announced. This staunch opposition, however, was sufficiently offset by encouragement from other Asian states. Japan went ahead without any modification in the planned membership (ASEAN plus Three states), and Japan's finance minister (Hiroshi Mitsuzuka) officially proposed the creation of the AMF at the annual meetings of the World Bank and the IMF. Both Mitsuzuka and Sakakibara emphasized that the AMF would have a "unique" focus on Asian countries' "specific" needs. Sakakibara later noted that the exclusion of the United



States was intentional so that the “Asian” leaders could discuss regional financial problems without U.S. pressure¹⁹ and that “it was the desire to create an policy alternative to the IMF prescription that motivated the proposal to create the AMF” (Sakakibara 2001, 2).

The AMF was ultimately not realized, as Japan finally retracted its proposal at a meeting of finance and central bank governors from fourteen Pacific Rim countries in Manila on November 18 and 19, 1997. But the importance of Japan’s proposal, made stronger by other Asian states’ support, deserves special attention when discussing the development of the East Asian identity. This plan, though not carried out, was a concrete manifestation of a regional identity that demarcates insiders from outsiders. By excluding the United States from membership, it *reconstituted* the boundaries of the region since the first attempt in 1990, by Mahathir. The originally proposed members of the AMF now constitute the ASEAN plus Three and made a first step toward an AMF in the form of bilateral swap arrangements among central banks known as the “Chiang Mai Initiative” on May 6, 2000.

The ASEAN plus Three

With the advent of the ASEAN plus Three in 1997, a hierarchical structure within East Asian regionalism has emerged. At the top is intra-regionalism (an Asia-only form)—ASEAN plus Three. Second is interregionalism in the sphere of economic cooperation—APEC (Liu and Regnier 2003, xxiv). However, the ASEAN plus Three meetings began quite modestly. For example, no joint statement was made after its first Informal Summit Meeting in 1997 in Kuala Lumpur, and the term “ASEAN plus Three” itself was cautiously and rarely used in the first two meetings. It was not until the third Informal Summit Meeting in Manila, November 1999, that the “Joint Statement on East Asia Cooperation” was issued for the first time by the thirteen heads of governments (Terada 2003, 264). As is well known, the Asian financial crisis provided an essential foundation as a common experience that enhanced the significance of the APT process. What was that common experience?

As alluded in my discussion of the AMF and noted by many scholars, including John Ravenhill (2002, 175), the common experience that fostered a sense of common identity among East Asian states was their shared “image of the region in adversity besieged by outsiders ‘ganging up’ in their attempts to exploit the difficulties that East Asian governments faced.” As Richard Higgott aptly puts it in his discussion of “the politics of resentment,” “most East Asians feel that they were both let down and put down by the West.” At the center of this humiliation lies the Western replacement (or reconstitution) of *older*



social forms, such as “developmental states” and “East Asian miracles,” with *newer* social forms, such as “corrupt” practitioners of “crony capitalism.” The U.S.-led IMF associated the Asian development model with “crony capitalism,” thus normatively, if not empirically, delegitimizing the Asian model while normatively, if not empirically, privileging market-based processes and outcomes (Hall 2004, 3).

As such, the U.S.-led IMF’s discursive (and material) demolition of the Asian economic model in terms of “us” and “them” in a binary fashion generated within the East Asian states a reversed attitude of “them” versus “us” that had been gradually growing through confrontations in APEC. The remark by Deputy Prime Minister Supachai of Thailand reflected this binary structure of identities when he said, “We cannot rely on the World Bank ... and the International Monetary Fund but we must rely on regional cooperation” (cited in Yu 2003, 284). Japanese finance minister Miyazawa stated that “after the Asian crisis, Asian countries began to doubt the benefits of trade liberalization and . . . APEC should answer this doubt” (ibid.). Sakakibara (2001, 7) goes even further by arguing that “if East Asia does not want to be divided and ruled as in the colonial days and in the *more recent* past, we need to form some types of regional cooperation of *our own*” (emphasis added). In late 1998, Korean prime minister Kim Jong Pil called for an independent Asian Monetary Fund by endorsing the “Asian development model” (cited in Sohn 2005, 491). Korea’s president, Kim Dae Jung, claimed that the APT “would also be able to speak for the region in discussions with other major economic blocs, such as the European Union and the North American Free Trade Agreement. Why should Asia, alone among the ‘three poles’ of the global economy, not have its own grouping?”²⁰ At the fourth APT Summit in Singapore in November 2000, Singaporean prime minister Goh also claimed in his statement that what was important was that the leaders of the thirteen countries were starting to think as “East Asian[s]” (cited in Soeastro 2001, 2). Two quotes may summarize the emerging sense of East Asian identity with its cultural-cognitive dimension.

If *we* are lax in these efforts [the APT process] towards integration, *we* may invite more region-wide upheavals similar to the currency crisis. It is therefore important to understand how and in what sense this region, including Japan, is a community with common fate.²¹

There was much talk of the twenty-first century becoming the Asian century... The countries of East Asia continued with their ways of developing their economies... They were going to grow and they were going to continue to challenge the West... there is no reason why we should believe that what is being propagated by the West now – liberal democracy, free markets, a borderless world etc. would do any better in the long run.²²



I have so far empirically uncovered the content of an East Asian identity that generates the exclusion of the United States from Asian regional institution building in the wake of the Asian financial crisis. The process of an emerging sense of East Asian identity in regional economic integration seems to have the quality of Peter Hall's (2005, 153) notion of "a funnel of causation, in which a broad interpretation of major events and an associated set of preferences are developed in tentative terms and then consolidated as successive experiences are interpreted in the same terms." As much as the East Asian identity is defined and discursively constructed in relation to the United States on the grounds of proponents and opponents of U.S.-led "disembedded" liberalism, the very discursive condition that generates an East Asia identity has an effect of excluding the United States from the Asian regional institution-building process. Ultimately, the formation of policy preference is "a process in which experience and interpretation intertwine" (ibid.).

A testing ground for the empirical outcome can be found by analyzing regional policy statements and initiatives launched by regional political elites. If the above analysis is valid in locating "the cultural dimension of regional institution building," I expect that those policy initiatives for East Asian financial regionalism ("the regulatory dimension of regional institution building") would focus on developing regulatory mechanisms that would enhance (not reduce) the role of the Asian states in managing their participation in the global political economy.²³ Jayasuriya's concept of "regulatory regionalism" may capture the post-crisis regional institutional building efforts.²⁴ Building on Jayasuriya, Higgott suggests that regulatory regionalism "links national and global understandings of regulation via the region as 'meso' level."²⁵ Thus regional policy coordination from regulatory regionalism is likely to be delegated to the state in a sovereignty-enhancing way, with emphasis on "a strong relationship between state form, the global economic and political orders and the emerging regional governance" (Higgott 2006, 14).

It is too early to assess confidently whether Asia's post-crisis monetary/financial cooperation (or monetary/financial institution building) has moved in the direction of regulatory regionalism. Regional initiatives are still developing and being proposed. Below I give a preliminary evaluation of the emergence and development of the CMI, as one important example of post-crisis Asian monetary/financial cooperation. I do so with three specific hypotheses drawn from the "shared economic paradigm" observation. Expected observations are: *first, the continued exclusion of the United States from membership in the development of the CMI. Second, policy initiatives for East Asian financial regionalism are expected to focus on developing regulatory mechanisms allowing for the role of the state in managing U.S.-led globalization, such as mechanisms for monitoring capital flows and surveillance. Lastly, the CMI is expected to continue to shift away from its IMF link in lending*



practices.

The Chiang Mai Initiative

In May 2000, at the ASEAN plus Three (APT) Finance Ministers' Meeting in Chiang Mai, Thailand, the finance ministers of ASEAN, China, Japan, and Korea announced that they had agreed to exchange data on capital flows and to develop a network of bilateral currency swap and repurchase arrangements, collectively known as the Chiang Mai Initiative (CMI). By 2005, sixteen bilateral swap agreements (BSAs) had been concluded and nine BSAs had been modified. Moreover, the network of bilateral swap arrangements and repurchase agreements under the CMI had grown to a total of US\$90 billion as of April 2009. The total size of the CMI has been increasing from US\$17.0 billion (2002), US\$31.5 billion (2003), US\$36.5 billion (2004), US\$52.0 billion (2005), US\$75.0 billion (2006), to US\$90 billion (2009). Although the sheer size of each country's BSA support is small compared to the commitments of the international community and the IMF during the Asian financial crisis, by 2005 these BSA amounts exceeded the total of actual IMF disbursements as of early 1999 by more than twofold.²⁶

Table 1: Comparison of IMF Disbursement and the CMI

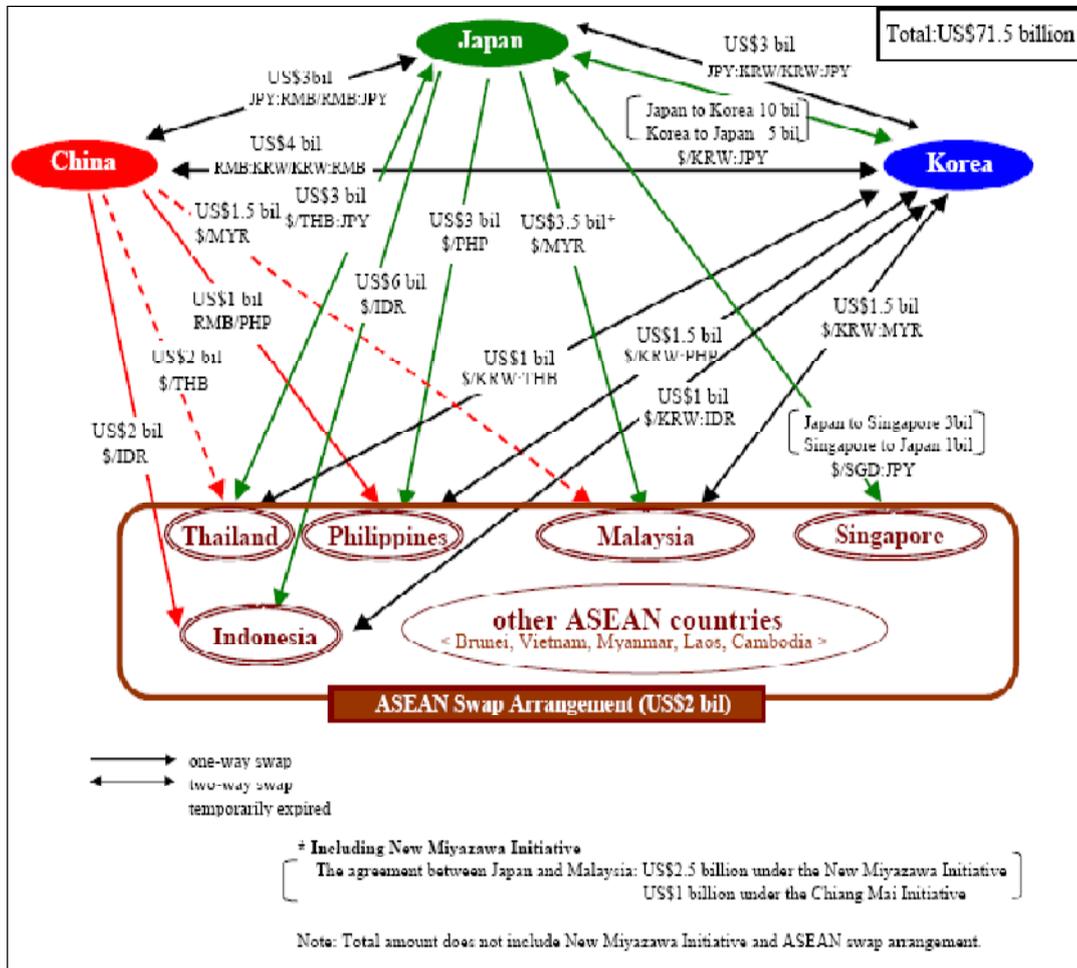
Units: US\$ (billion)	Commitments				Actual IMF Disbursements	CMI (20%)
Country	IMF	Multilateral	Bilateral	Total	As of 1/17/99	
Indonesia	11.2	10.0	21.1	42.3	8.8	11.0 (2.2)
Korea	21.1	14.2	23.1	58.4	19.0	19.0 (3.8)
Thailand	4.0	2.7	10.5	17.2	3.1	8.0 (1.6)
Total	36.3	26.9	54.7	117.9	30.9	75.0 (15.0)

Sources: IMF, Issues Brief 00/05 (June 2000); Bank of Japan; and ADB. Accessed at <<http://www.imf.org/external/np/exr/facts/asia.pdf>> and http://www.boj.or.jp/en/type/release/zuiji_new/data/un0602a.pdf.

a. Multilateral = World Bank and ADB.



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



Source: Bank of Japan, as of February 24, 2006. (Total swap size reached US\$75.0 billion as of May 4, 2006.) Accessed at <http://www.boj.or.jp/en/type/release/zuiji_new/data/un0602a.pdf>.

In almost a decade of development, the CMI has intensified regional monetary cooperation with added policy goals. The CMI was first conceptualized at the APT Summit in 1999, when the Asian finance ministers agreed to enhance “self-help and support mechanisms in East Asia.”²⁷ As noted above, the APT Finance Ministers’ Meeting in 2000 realized this in the form of the CMI. Subsequently, the CMI arranged a network of bilateral swap arrangements among the central banks of East Asian countries (ASEAN plus Three) to provide a “balance of payment support” and “short term liquidity support.” Thus the CMI was initially envisioned as a first-order defensive mechanism that would provide foreign exchange liquidity support. As Amyx (2004b, 211-212) notes, of importance is the latter (“short-term liquidity support”), which emerged out of the Asian finan-



cial crisis experience. Unlike “balance of payments support” linked to the recipient country’s macroeconomic policy, in which the IMF plays a role through its conditions applied to loan amounts, “short-term liquidity support” provides a liquidity injection into the recipient country where capital is exiting rapidly without particular macroeconomic mismanagement. This provision thus does not require any IMF intervention. Masaru Hayami (the Governor of the Bank of Japan), for example, spoke in this vein right before the APT Finance Ministers’ Meeting in 2000, endorsing the need for a regional cooperation mechanism within the realm of globalization:

[I]t is also true that the extent of interdependence has become more widespread and deep as witnessed by the progress of the horizontal division of labor and increased capital flows in East Asia. In addition, since the bitter experience of the currency crisis in 1997 has made us recognize the risk of spillover and contagion, I believe that momentum for actively promoting regional cooperation as a device to support globalization has steadily increased.²⁸

Another major step was taken on May 6, 2005. The APT further strengthened the CMI at the Asian Development Bank (ADB) annual conference in Istanbul, not hesitating to point out that it would be a “step toward multilateralization ... a de facto Asian Monetary Fund may eventually be created.”²⁹ The Istanbul initiative doubled the size of currency swaps under the CMI from their then current level of \$39 billion; increased the amount of emergency liquidity available without IMF conditions from 10 percent to 20 percent; and made bilateral swaps into two-way swaps, with the aim of making them multilateral in the future (*Asia Pacific Bulletin*, May 13, 2005). Japan led this initiative with China’s support.³⁰ Perhaps unsurprisingly, Haruhiko Kuroda, the new ADB president, who was among those to propose the creation of the AMF in 1997, spearheaded the Istanbul initiative. In April 2005, Kuroda created the Office for Regional Economic Integration within the ADB to facilitate regional monetary cooperation and appointed Masahiro Kawai, another proponent of the AMF, as its head. At the ADB conference, Kawai went so far as to say that “the [strengthened] CMI has the potential to become an Asian Monetary Fund” (*Asia Pacific Bulletin*, May 13, 2005).

From May 2006 East Asian states’ efforts to multilateralize the CMI began in earnest, as they began to discuss such key issues as the total size of the fund, the form of funding, the legal modality, procedures and voting shares, and the proportion of contribution each state would make (Chey 2009, 452). On May 5, 2007, the finance ministers of ASEAN plus Three unanimously agreed to launch a multilateral currency swap scheme, which was to come about by multilateralizing the Chiang Mai Initiative. At the Kyoto meeting, Asian finance ministers did not shy away from saying that the envisioned multilateral institution



would be an “Asian version of the IMF” which had been first proposed by Japan in 1997 at the annual meeting of the IMF and the World Bank in Hong Kong. Furthermore, on May 3, 2009, ASEAN plus Three solidified the multilateral currency swap scheme by agreeing to make the fund worth US\$120 billion: China and Japan were to contribute US\$38.4 billion each; Korea would contribute US\$19.4 billion, with the rest of the fund coming from ASEAN countries. Accordingly, voting shares were also finalized. China and Japan would each have 36 percent, Korea has 16 percent, and ASEAN countries collectively own 20 percent. The form of funding would be self-reserved reserve pooling, and the fund was to be a legally binding singly contractual agreement.

As such, what started out as a mere mechanism to address short-term liquidity difficulties in the region has increasingly become an institutionalized framework for region-wide dialogue and cooperation that includes not only self-help and support mechanisms but also capital flow monitoring, policy review, coordination, and collective decision-making. At the APT Finance Ministers’ Meeting in 2005, policy changes were focused on measures that would enhance the effectiveness of the CMI in: (1) integration and enhancement of ASEAN+3 economic surveillance into the CMI framework; (2) a clear definition of the swap activation process and the adoption of a collective decision-making mechanism; (3) significant increase in the size of swaps; and (4) improvement of the drawdown mechanism.³¹ Moreover, the finance ministers agreed to integrate and enhance the APT’s Economic Review and Policy Dialogue (ERPD) process into the CMI framework. The APT Finance Ministers’ Meeting in 2006 pushed the objectives further, adopting a collective decision-making procedure for the swap activation and initiating a study to examine possible options toward an advanced framework for the regional liquidity support arrangement (CMI multilateralization or Post-CMI).³² These multilateralizing efforts made substantial institutional developments in 2009 toward an Asian Monetary Fund (fund size, contribution size, voting shares, legal modality, form of funding). What remains to be determined for a fully loaded multilateral institution are lending conditions for the release of funds (along with the finalization of surveillance mechanisms), borrowing quotas, and decision-making mechanisms, on which discussion is currently under way.

In sum, the development of the CMI for the last nine years shows two pieces of preliminary evidence for “regulatory regionalism.”³³ For one, we observe the CMI’s gradual policy shift (the regulatory dimension) from “minimizing financial instability” (short-term liquidity provision) to “managing” regional monetary cooperation (that is, monitoring capital flows and developing regional surveillance). For the other, one observes the incremental approach by East Asian countries in loosening their adherence to the IMF (Asian states increased the amount of emergency liquidity available without IMF condi-



tions from 10 to 20 percent). If an Asian Monetary Fund materializes in the near future, one may expect to see complete independence from the IMF in lending policies and prescriptions. Additionally, the United States has been consistently excluded from these institutional developments. Taken together, the three hypotheses drawn from the “shared economic paradigm” observation are empirically corroborated.

Although the CMI’s growth into an independent Asian Monetary Fund without a formal tie to the IMF is not completely guaranteed at this point, movement in that direction has been noticeable from the beginning. For example, most ASEAN members (most notably Malaysia, but not Singapore) advocated the complete independence of the bilateral swap arrangements from any IMF conditions. According to Sohn, Japan and China emphasized the importance of forging a cooperative relationship with the IMF at an *early* stage of the BSAs’ development, to make it more credible.³⁴ Their main reason for retaining a link to the IMF was that the region lacked any system of surveillance, which would be necessary for liquidity support. China and Japan persuaded Malaysia and other opposing members to accept the linkage of the BSAs with IMF conditions as a *temporary* arrangement until a formal surveillance mechanism could be put in place. The opposing members agreed to the IMF linkage on the condition that a study group to examine the types of monitoring and surveillance systems for an independent regional financial arrangement be established. In particular, the Asian Development Bank (ADB) has supported this process and developed a prototype for a regional early warning system that might be the beginning of regional surveillance capacity (Hamilton-Hart 2005, 113). So far, the development of a full-blown regional surveillance system is still a work in progress. Once it materializes, however, it is likely to be the keystone in furthering a regional monetary and financial system that might reflect “regulatory regionalism.”³⁵

Conclusion

At the outset of this paper, I defined the crucial characteristic of East Asian financial regionalism in terms of its exclusionary nature, particularly the intentional exclusion of the United States, and the emergence of more formal and institutionalized regional economic cooperation. I also broadly endorsed constructivist scholarship on the post-crisis Asian regionalism that uses an identity construct (or variable) called “East Asia” to account for the emergence of financial regionalism in the wake of the Asian financial crisis. At the same time, however, I elucidated uncertainties on which the current constructivist scho-



larship has built its identity-based causal claims. The uncertainties are primarily due to their failure to specify the content of a shared identity such as “East Asia,” without which the nature of East Asian states’ attempts to exclude the United States from their regional institution-building efforts cannot be adequately addressed. By tracking the development of East Asian identity in relation to the United States (or the West) in various regional settings, I find that the content of East Asian identity is associated with East Asian states’ shared understanding of the legitimate role of the state in facilitating economic development and stability. This analysis suggests that the emergence of East Asian financial regionalism is *evolutionary* rather than revolutionary. East Asian financial regionalism is anything but a product of “punctuated equilibrium” as conceptualized by many writers and pundits. As much as East Asian identity is defined and discursively constructed in relation to the United States on the grounds of the pros or cons of U.S.-led “disembedded” liberalism, I argue that the very discursive condition that generates an East Asia identity has the effect of excluding the United States from Asian regional institution-building efforts.

Conclusions on the future development of East Asian financial regionalism are difficult because they demand that we gain closure on issues that we are only just beginning to grasp. The two Western members of the Asia-Pacific Economic Cooperation forum, the United States and Australia, have now begun to worry about their exclusion from ASEAN plus Three. The United States, in particular, faces a dilemma. On the one hand, the United States certainly does not want the emergence of an East Asia-only institution that would, through its own lending policies and prescriptions, challenge the management of the existing IMF-led financial system. But as we have seen, the post-crisis East Asian states want to build their own regional cooperative mechanisms through which to respond effectively to the global-regional dialectic with sufficient autonomy. Otherwise, there is no rationale behind East Asian states’ effort to build an exclusive regional monetary/financial cooperation.³⁶ On the other hand, the United States cannot object outright to the development of a regional East Asian financial institution of which it is not a member. Any attempt to block it may draw a backlash in the form of growing anti-Americanism in the region, which may have the unintended consequence of binding East Asian states further.³⁷ Given the critical influence of the United States on East Asian regional development in both integrative and disintegrative ways, it is not easy to predict whether or not, for example, East Asian financial regionalism will eventually grow to resemble the European Union’s monetary/financial arrangements. But the above analysis suggests that the exclusionary character of East Asian financial regionalism may be less prone to change than before the Asian financial crisis, because change would require removing an institutionalized, shared per-



ception that encourages the self–other distinction among members and nonmembers. Likewise, whether this exclusionary stance in regional East Asian finance persists may well depend on U.S. policy choices regarding the ways in which it deals with the global financial crisis and its associated treatment of the neoliberal economic order. ■

Endnotes

¹ According to Dieter and Higgott (2003), Asian “monetary” regional integration does not follow trade-driven conventional regional integration processes. See also the volume edited by Pempel (2004), which says we must understand Asian regionalism (or the regionalization process) on its own terms.

² Because of space limitations, I can only briefly point out the shortcomings of each rationalist approach.

³ See Frieden (1991) for the influence of sectoral pressures on states’ policy toward monetary regional cooperation.

⁴ See also Bowles (2002) and Amyx (2004a) for similar observations. Bowles even challenges the conventional understanding of the market-driven pre-crisis Asian regionalization. He says (2002, 246), “These analyses [the market-driven view] tended to overstate the role of ‘the market’ in fostering integration in region. They present us with some of a paradox in that most of them accept that [Asian] national economies can be described as ‘developmental states’ where governments play key roles in ‘guiding the market’ but where, it seems, inter-national and intra-regional integration are played out beyond the reach of the state. Such a paradox is, in fact, a false one and is solved by a better appreciation of the role that the state played in fostering intra-regional trade and capital flows.”

⁵ Higgott 1998; Stubbs 2002; Calder and Ye (2004) use the concept of “critical juncture” to capture the role of the Asian financial crisis in “narrowing the organizational gap” (by the post-crisis Asian institutional buildings, such as APT and the Chiang Mai Initiative).

⁶ The definition comes from the combination of Peter Hall’s notion (1992) of “policy paradigm” and Dobbin’s notion (1994) of “industrial policy paradigm.” According to Dobbin (1994, 19), a policy pa-



radigm comprises “both practices, in the form of policies, and means-ends designations, in the form of the tenets of governmental action.”

⁷ “Institutional rationality” is conceptually similar to Dobbin’s notion of “cultural rationality.” In Dobbin’s words (1994, 2), “national traditions influence policy-making by contributing to collective understandings of social order and instrumental rationality. History has produced distinct ideas about order and rationality in different nations.”

⁸ This working paper is part of a larger book-length project that encompasses the CMI, the ABMI, and the ACU as noted earlier.

⁹ For identity-based constructivist theorization of the formation of international (regional included) institutions, see Wendt 1994, Checkel 1999, and Cronin 1999.

¹⁰ For the politics of resentment, see Higgott 1998 and Hughes 2000.

¹¹ The factors underlying the formation of a specific East Asian identity so far suggested are as follows: common recent historical experience (that is, the colonial experience and the surge of nationalism); various key common cultural traits (such as the acceptance of hierarchy and a respect for authority); similar distinctive economic institutions and approaches to economic development (developmental states); cross-cutting patterns of FDI (foreign direct investment); a specific regional form of capitalism (Asian state-led capitalism); and Asian values/Asianness (as opposed to Western liberal political values). See, for example, Dieter and Higgott (2003, 32); Stubbs (2002, 444-445); Terada (2003, 253-256); Yu (2003, 276-283); Nabers (2003, 124-129); and Oga (2004, 300-302).

¹² Katzenstein (2003, 105). Katzenstein (2005) suggested three approaches to defining regions, materialist (geopolitics), ideational (critical theories of geography), and behavioral, the last of which means that regions are basically what they politically, socially, and economically do. One notable “behavioral” example from Katzenstein is the slave trade of the greater Caribbean region, which flourished between the seventeenth and the nineteenth century, but no longer exists.

¹³ For a discussion of the structure of identity and interests, see Wendt (1992) and Rodney Hall (1999).

¹⁴ Brubaker (2004) offers a cognitive perspective on ethnicity that can be useful for the conceptualization of region as well. In his view (Brubaker 2004, 81), “ethnicity and nation [or region] are ... ways



of seeing the world. They are ways of understanding and identifying oneself, making sense of one's problems and predicaments, identifying one's interests, and orienting one's action." Bracketed word added.

¹⁵ This section builds on Kim and Lee (2004).

¹⁶ In the discourse analysis below, the question of whether speakers really mean what they say (the deeper intentions of the speakers) is not important (although it is pertinent in a broader context). As noted at the outset of this paper, I am more concerned with the question of how meaning (associated with collective identity) is generated, structured, and shared among the relevant actors. See Waever (1995) for his discussion of the advantages of discourse analysis over psychological approaches studying perceptions and beliefs for this type of analysis.

¹⁷ Cited in Oga (2004, 304). On the same page, Oga cites another diplomat as saying, "the U.S. has neither the will nor the ability to liberalise further. They still have a 30 to 40 percent tariff on textiles, 25 percent on trucks, and double-digit percentages on glass. They have continued to protect these areas."

¹⁸ Interview with Sakakibara, Public Broadcasting Service, May 15, 2001.

¹⁹ Interview with Sakakibara, cited in Katada (2001b: 11), footnote 26 in particular.

²⁰ *Asiaweek*, December 10, 1999. Furthermore, Sagong Il, chairman of the Korean Institute for Global Economics (the former economic advisor to the President), claimed at the Chiang Mai meeting that "we need some kind of defense mechanism. Since not much is expected to be done at the global level, something should be done at the regional level." *Financial Times*, May 6.

²¹ Japan's Ministry of Foreign Affairs (1999) cited in Nabers (2003, 121). Emphasis added.

²² Mahathir (2000) cited in Oga (2004, 301). Emphasis added.

²³ Steven Vogel's (1996) concept of "re-regulation" is useful here. Domestically, I expect to observe the similar "re-regulation" policy-making in Asian states, the study of which is beyond the scope of this paper. Amyx (2004a, 14) offers a compelling account of the increased role of the Thai government in re-regularizing the Thai economy by using state-owned banks rather than normal deficit financing to fuel economic activity.



²⁴ Jayasuriya (2004) in Higgott (2006). In this respect, Hiwatari's (2003) attempt to deduce national policy preference for a form of regional monetary cooperation from the concerned country's financial system structure (security-market-based or bank-credit-based) and external balance positions (capital-dependent or capital-sufficient) can be potentially incorporated into the collective, aggregate policy preference of East Asian states, as they all rely on bank-credit-based financial systems (this is a major characteristics of the so-called developmental state).

²⁵ Higgott (2006, 14). A similar point is made by Sohn (2005).

²⁶ This excess is due to the fact that the total amount of the IMF packages for Thailand, Indonesia, and Korea includes the second line of defense commitments offered by the IMF.

²⁷ Quoted in the "Joint Statement of East Asia Cooperation," November 28, 1999; accessed at <http://www.mofa.go.jp/region/asia-paci/asean/pmv9911/joint.html>.

²⁸ Masaru Hayami, Governor of the Bank of Japan, at the Asian Pacific Bankers Club, March 17, 2000; the speech is quoted at <http://www.aseansec.org/afp/115.htm>.

²⁹ See <http://www.aseansec.org/afp/115.htm>.

³⁰ See Chey (2009) for a detailed analysis.

³¹ Quoted in the "Joint Ministerial Statement of the ASEAN+3 Finance Ministers' Meeting," May 4, 2005; accessed at http://www.mof.go.jp/english/if/as3_050504.htm.

³² Quoted in the "Joint Ministerial Statement of the ASEAN+3 Finance Ministers' Meeting," May 4, 2006; accessed at <http://www.aseansec.org/18390.htm>.

³³ Since I have not yet conducted the field work, my assessment below is only suggestive. For the future, interviews and participatory observation (I am currently working out on this possibility with the Korean government to be part of Korean delegation) will greatly strengthen or revise the discussion below. [Notes don't usually have personal asides: omit this note? or just say something like "Further research by the author pending"].

³⁴ Sohn (2005, 497-498). I heavily draw on Sohn's account for the discussion below.



³⁵ If one follows the logic of this paper's arguments, one can expect that an emerging CMI-cum-AMF will likely have lending conditions and prescriptions different from those of the IMF. The regulatory mechanisms, in particular, would be unlikely to encroach upon the active role of the state in domestic economic governance. Japan's two-step loan practice for its ODA policy emphasizing the role of the recipient government in allocating loans to the necessary places may be a window suggesting the shape of the emerging regional institution's regulatory mechanisms.

³⁶ See Pascha (2007) for a detailed discussion on this point.

³⁷ Bergsten (2007, 7) in Chey (2009, fn. 55).

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