

# Regionalization and Regionalism: Featuring Northeast Asia

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## 要 旨

第二次世界大戦の終結以来、経済的な地域主義が進展してきた。地域主義を研究する際、習慣的に欧州連合（EU）、北米自由貿易協定（NAFTA）、東南アジア諸国連合（ASEAN）、南米南部共同市場（MERCOSUR）のような成功例が取り上げられている。本論文の目的は、北東アジア（NEA）における地域主義の実態についての洞察を提供することにある。本稿は次のように構成されている。まず、地域主義とリージョナリゼーションについての主たる専門用語を簡単に紹介し、地域主義概念の簡潔な概観を行った。次に、NEA の特性を描写し、今後の地域発展について推測した。本論文の主たる成果は次の通りである。第一に、NEA 地域の定義するためのアプローチが提示された。第二に、NEA 地域主義の潜在的能力をテストするための規準が提案された。第三に、NEA と他の地域経済統合の事例を比較分析するために次元が示唆された。

**Keywords: region, regionalism, regionalization, Northeast Asia (NEA)**

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## I. Introduction

In a spate of contemporary literature on regionalism, there are numerous writings focusing on theory and terminology. Because the idea of region is so central to this paper, it seems appropriate to begin with an examination of what the term “*region*” implies.

Recently published by joint German - American research group volume mirrors existing variety of concepts defining region.<sup>1</sup> In the opening chapter of the first volume, R. Ostergren who considers the region in geographical perspective, notices that “Geographers have traditionally recognized at least three ways to characterize regions: as instituted, as objectively denoted, and naively perceived” (Honnighausen et al, 2005, p. 2). Ostergren further explains instituted regions as being created by authorities within some organization (national, state, or local governments; religious denominations; or business corporations). Objectively denoted regions are created by scholars, analysts, or officials in order to reduce the complexity of the real world for the purpose of practicability. In contrast to the former ones, naively perceived regions are shaped informally by a closely knit group of people identifying in their own mind a territory that belongs to them rather than to others.

These three definitions, in Ostergren’s view, are not mutually exclusive. “The current conceptual view [...] seems to incorporate a number of assumptions. Among them is the idea that there is persistence of regional diversity in our world, and that despite the ever-present standardizing and deterritorializing forces of globalization...[d]ifferences persist and are continuously being formed and transformed in place-specific contexts. A second assumption is that regions should be seen as structures, constituted by a dialectic of social, political, and economic interactions between individuals, groups, and institutions. Regions are viewed [...] as both outcomes and mediums of social interaction. A third assumption is that these structures are always in a state of evolution, their boundaries always malleable. Regional formation is therefore a process in which the region is constantly reimagined and reconstructed. The geographic study of region demands, accordingly, that historical dynamics of this process receive careful attention...” (Honnighausen et al, 2005, pp. 9-10)

M. Frey and G. Friesen approach the topic historically, addressing though region in its international and nation-state vision, respectively. Thus, Frey examines regions of three levels: “[...] (1) region as a subsystem of a larger political, economic, or cultural entity; (2) region as an alignment or conglomerate of nation states; (3) regions as “global” or macro-regions” (Ibid, p. 16). Regions of the first level “[...] can be provinces, states [...], units that at some point in time acquired distinctive political, religious, cultural, or economic

features that make them distinctive [...] Endogenous and exogenous factors bear on the definition of a territory as region: “Otherness” has to be recognized by individuals living within and outside a given spatial entity” (Ibid, p. 17). On the second level of enquiry regions are perceived as “[...] a group of countries with a more or less explicitly shared political objective” (Ibid, p. 17). The second level group can be exemplified by such integrationist projects as EU, ASEAN, NAFTA, etc. and security pacts like NATO. At the third level there are regions of the globe. The concept of civilizations designed by S. Huntington (1996) provides apt examples of the regions on this level.<sup>2</sup>

Pointing at the absence of single dominant definition of region, A. Witt focuses on political science (Ibid, p. 48). Such approach somewhat converges with Ostergren’s “instituted” idea of region. The notion of region as socially constructed is perceived by S. Hoelscher. And that also to a certain extent coincides with Ostergren’s vision. The avenues of the theory of regional identity developed by Hoelscher are tradition, cultural memory and heritage (Ibid, p. 29). A realm of linguistic and literary studies is core to the concepts of region suggested by J. Salmons (Ibid, p. 129), M. Roll (Ibid, p. 119), Klaus P. Schneider (Ibid, p. 139) and L. Honnighausen (Ibid, p. 159).

Thus, a brief overview of approaches above portrays that there is no theoretical concept encompassing regional phenomena in general. However, while looking for somewhat universal perception of region such traits as belonging to a distinctive community and having a collective regional identity can be viewed. Among supplementary characteristics of region a certain degree of social and cultural homogeneity, similar political attitudes or external behavior toward third parties, common political institutions, a certain degree of economic interdependence, common behavioral criteria (such as the identification of norms pertaining to conflict management and resolution), etc. are frequently considered. Speaking of the international region implies a reference to a cluster of states that can be thus conceived as an intermediate form of community - between the nation state and the global community of humankind. The problem habitually arising here is how to delineate the exact spatial borders.

Closing this partition of terminological overview, let us accept the Ostergren’s vision of region as more appropriate for NEA case. Although, being incorporated into current writing this conception may further undergo some revision.

As terminological inconsistency is being observed in contemporary scholarship on the issue at hand, two other essential to this study definitions, namely of “*regionalism*” and “*regionalization*”, also require brief examination.

According to Arie M. Kacowicz (1998), regionalism is “[...] the proneness of the governments and peoples of states to establish voluntary associations and to pool together resources in order to create common functional and institutional arrangements.”<sup>3</sup> Thus, regionalism is being perceived as the process occurring in a given geographical region by which different types of actors (states, regional institutions, societal organizations and other non-state actors) come to share certain fundamental values and norms.

As Samuel S. Kim (2004) puts it, “[...] like globalism, regionalism is a normative concept referred to shared values, norms, identity, and aspirations [...]”<sup>4</sup> Kim denotes regionalism as being “state-led projects of cooperation that emerge from intergovernmental dialogues and agreements”, setting thus regionalism forth by its intergovernmental nature of collaboration.

Another prominent expert on regionalism, Gilbert Rozman (2003)<sup>5</sup> addresses the issue as spreading in five dimensions: economic integration (through increase in economic relations), institutional integration (common action within framework of established summits and institutions), social integration (in the course of labor migration, expansion of business networks, etc.), formation of regional identity, and security integration.

Similarly, Andrew Hurrell (Hurrell et al, 1995) describes regionalism, singling out its five elements: (1) regionalization, (2) regional awareness and identity, (3) regional interstate cooperation, (4) state-promoted regional integration, and (5) regional cohesion.<sup>6</sup> Along these lines, regionalism can be understood as a mental and/or physical orientation towards forming a regional identity, which, in turn, leads to further regionalization (creation of regional entity, closer cooperation, and/or integration). Hurrell characterizes two-faceted nature of regionalism: regionalism defined in a strict sense, as an ideology or slogan, and regionalization defined in a broad sense, relating to moves primarily directed by market forces which shape closer international regional integration.

Additionally, M. Schultz (2001) while defining the connexion between regionalism and regionalization points out “[...] Regionalism refers ... to the general phenomenon, denoting formal projects as well as process in the broadest possible sense...[r]epresents the body of ideas, values and concrete objectives that are aimed at creating, maintaining or modifying the provision of security and wealth, peace and development within a region...” Regionalization, in its turn, implies a change from “...relative heterogeneity and lack of cooperation towards increased cooperation, integration, convergence, coherence, and identity in a variety of fields such as culture, security, economic development and politics, within given geographical space”.<sup>7</sup>

Arie M. Kacowicz (1998) also sees regionalization as the growth of societal integration within a given

region, including the undirected processes of social and economic interaction among the units. This is a dynamic process of forming regions as geopolitical units, as organized political cooperation within a particular group of states, and/or as regional communities.<sup>8</sup> In essence, regionalization is understood as the tendency or process of a region formation at the official level and by means of official mechanisms.

At the same time, Samuel S. Kim (2004) sees regionalization as being akin to globalization, and refers to non-state-driven, usually market-driven-processes of integration breeding regionalism.<sup>9</sup> Hence, regionalization is the process of economic integration deriving primary motive force from markets, trade and investment by MNC's.

A brief examination of the definitions of regionalism and regionalization reveals a certain degree of terminological inconsistency. That is especially obvious in how the authors denote the inceptions, impetuses, and upshots of regionalization and regionalism. To avoid intricacy, in this particular paper, the definitions of "regionalism" and "regionalization" are utilized as per the interpretation of Samuel S. Kim. In a nutshell, the process of integration through which regional agendas and identity are formed is referred to as "regionalization" (with prime actors being market agents, and representatives of the grass-roots level) and the end result is termed as "regionalism" (pursued by governments and other official denominations).

## II. Old and new regionalism

Regionalism evolves through several distinctive generations. Earlier regionalism from the late 1950s to the early 1970s relates to the first wave of development of the European Economic Community, which started with the establishment of European Coal and Steel Community (ECSC) in April 18 of 1951 in Paris.<sup>10</sup> The beginning of the decolonization process, which saw creation of bodies such as the East African Common Market, became another empirical impetus for regionalism.

The theoretical inception of regionalism came from a group of American scholars led by Ernst Haas, Joseph Nye Jr, Leon Lindberg and Stuart Scheingold, all of whom had been influenced by the work on supranational communities of Karl Deutsch.<sup>11</sup>

Initially, the analysis was typically concerned with measuring the level of integration as theorists sought to explain the creation and evolution of the European community project. The focus then was on the internal functioning of the region and the changing character of intra-regional relations. In the beginning of 1970s, as many of the grandiose projects of the European regional integration showed limited impact, and worry about

the crisis of the European community was growing, it became clear that such narrow approach is misleading and a study of international relations of regions is needed.

A theoretical framework of old regionalism was constituted by functionalist and neo-functionalist integration theories. Functionalism reflected a strong concern about the obsolescence of the state as a form of social organization after the WW II. In contrast to the realists' view about the self-interest of nation-states as a motivating factor, functionalists focused on common interests and needs shared by states/non-state actors in the process of global integration.<sup>12</sup> Functionalists, known as pioneers of theory and strategy of globalization, are credited with designing a concept of supranational authority.

According to functionalism, international integration develops its own internal dynamic as states integrate in limited functional, technical, and/or economic areas. The logic here is that international agencies aided by knowledge and expertise meet human needs and the benefits rendered by these functional agencies attract the loyalty of the populations and stimulate their participation and expand the area of integration.

Neo-functionalism, which is believed to be simultaneously a theory and a strategy of regional integration, is focused on the process of inter-state integration. Initially, states integrate in limited functional or economic areas, thereafter partially integrated states experience increasing momentum for further rounds of integration in related areas. This phenomenon of integration was termed "spillover".

According to neo-functionalists, there are two kinds of spillover: functional and political. Functional spillover is the interconnection of various economic sectors or issue-areas, and the integration in one policy-area spilling over into others. Political spillover is embodied in the creation of supranational governance models, as far-reaching as the EU, or as voluntary as the UN.

Unlike previous theories, neo-functionalism declared to be non-normative and tried to describe and explain the process of regional integration based on empirical data. Integration was regarded as an inevitable process, rather than a desirable state of affairs that could be introduced by the political or technocratic elites of the involved states' societies.

By and large, functionalist and neo-functionalist integration theories were created in order to measure the level of integration, its significance for the future of the nation-state system, and the extent to which regional integration was being fostered by positive functional spillovers.

The second wave of regionalism, termed as "new", came about the latter 1980s. What was new about regionalism that surfaced in the 1980s and became prominent in the 1990s is its outward-looking focus on external links with other regions. For that reason, the theoretical analysis of new regionalism centers on study

of the external linkages and inter-regional interactions. New regionalism gave birth to the theory of transaction costs, logic of rational choice, neorealist, neo-liberal institutionalism, theories of structural interdependence, and globalization.<sup>13</sup>

Unlike old regionalism, contemporary one tends to be more spontaneous process emerging from both inside and outside the region and expanding by means of not only international political gears, but, and increasingly, through the economic, social and cultural linkages.

In the words of Schults (2001), new regionalism spreads in several dimensions and can be characterized by: (1) a new division of power stirred up by the end of the Cold War and resulted in move from bipolarity towards a multipolar or perhaps tripolar structure with the centers being EU, NAFTA, and the Asia Pacific; (2) the relative decline of American hegemony in combination with more permissive attitude on the part of the US towards regionalism; (3) the restructuring of the nation-state and the growth of interdependence, transnationalization and globalization; (4) recurrent fears over the stability of the multilateral trading order roused by growing utilization of non-tariff barriers to trade; and (5) the changed attitude towards neo-liberal economic development and political system in the developing countries as well in the post-communist countries of the former Soviet Union and Eastern Europe.

In fact, uncertainty over the outcome of the Uruguay Round of GATT negotiations is also believed to be among the factors which fueled new regionalism. To some extent, the formation of APEC in 1989 and NAFTA in 1994 are sought to be hastened by the pressing need to ease restrictions in international trade exchange. According to some approach within this context, new regionalism can be characterized as involving various elements of integration. The “deepest level of integration”<sup>14</sup> may include (Burfisher et al, 2003, p. 6):

- facilitating financial and foreign direct investment flows;
- liberalizing movement of labor;
- harmonizing domestic tax and subsidy policies;
- harmonizing macro policies, including fiscal, monetary, and exchange rate policy;
- establishing institutions to manage and facilitate integration;
- uniting communications and transportation infrastructure;
- harmonizing legal regulation of product and factor markets; and
- creating monetary union.

While only the EU, significantly enlarged and somewhat strengthened nowadays, meets all of above mentioned criteria, there are numerous examples of regionalism of a more “shallow”<sup>15</sup> nature. In fact, a

spectrum of forms of the contemporary regionalism is very rich. It starts from mega-regions goes through macro-regions and meso-regions to micro-regions (refer to Table 1).

**Table 1.** Types of regionalism

Factor	Micro-regionalism	Meso-regionalism (ASEAN)	Macro-regionalism (EU, NAFTA)	Mega-regionalism (APEC)
Actor	Few adjacent members	Several states	Several states	Great number of states
Leadership	One, two advanced countries	Shared equally	Some countries	Centre countries
Level of economic development	Heterogeneous	Homogeneous	Homogeneous	Heterogeneous
Production relationships	Vertical	Outward vertical	Horizontal	Horizontal, vertical
Cultural identity	Homogeneous	Heterogeneous	Homogeneous	Heterogeneous
Regionalization/ integration	Specified spheres	Political, economic caucus	Several spheres	Open, flexible
Institutional formality	Informal	Less institutionalized	Formal	Various types
Regional slogan, idea, ideology	Slogan	Idea short of ideology	Ideology needed	Slogan without political implications

Source: Ryuhei Hatsuse, *Regionalisms in East Asia and the Asia-Pacific/ in Yosinobu Yamamoto, Globalism, Regionalism and Nationalism: Asia in Search of its Role in the Twenty-First Century*. Oxford: Blackwell for Japan Association of International Relations, pp. 105-125.

The above matrix on types of contemporary regionalism does not rank the NEA, however this case can be considered under the title “micro-regionalism”, as the NEA example meets the criteria designed for this sort of regionalism.

A diversity of new regionalism has resulted in development of terminology. For example, the concept of “open regionalism” with its cornerstone principle of open membership in the integration grouping is utilized in the conception of the APEC. New regionalism can also be characterized by variety of other “soft forms”, such as linkages formed by concluded regional trade agreements (RTAs) or economic partnership agreements (EPAs).<sup>16</sup> Given that negotiations between developing and developed countries in the global framework of the WTO are often staggered by the members reluctance to compromise, the current increase in number of RTAs concluded between developing and developed economies (Burfisher et al, 2003, p. 7) questions the efficiency of the current system of maintaining the global trade and challenges it.

By and large, since the end of the Cold War, the attitude towards international cooperation changed drastically. Contemporary regionalism can equally be considered as a response to globalization and a result of states` attempts to cope with globalization pressures since they may be lacking the capacity to manage these challenges on the national level. The relations between regionalization, regionalism and globalization can be



sometimes described as complimentary, while at other times, contradictory. Several possible explanations appear relevant:

- regionalization as a component of globalization. Such convergent trends are bred when national economies aspiring to become more competitive in the world market embark on regional integration leading to multilateral cooperation on a global scale. Typically, an adoption of liberal premises of cooperation and the opening of the local economies are being implemented. The examples of the EU and the NAFTA seem to be apt to illustrate this category;

- regionalization as a challenge or response to globalization. This type of divergent trends appears when the impetus toward regionalization stems from a reaction and challenge to the amorphous, undemocratic, and inexorable economic rules of globalization. This type of grouping can be featured by symbolic example of the Warsaw Treaty Organization from the Cold War era; and

- regionalization and globalization as parallel processes. This sort of trends may be observed as parallel or overlapping processes in the two issue-areas of economics and security. The Gulf Cooperation Council can be mentioned as one of the suitable cases of this class.

A comprehensive nature of new regionalism embodied in global, regional, national, and local interactions which simultaneously involve state as well as non-state actors (markets and civil societies), gives accuracy to the assumption about inevitable character of contemporary regionalism. For that reason, pondering over a cohesive future of any expanses located within a certain geographical proximity is plausible. The core enquiries to be addressed here are examination of conditions favoring and discouraging regional integration, development of adequate blueprint and maintenance designed regional initiative within specified benchmarks.

### **III. Region of Northeast Asia**

The latter decades of the 20<sup>th</sup> century has seen NEA rise to prominence in the field of international politics in a way never experienced before. In part, this was a reflection of the astonishing economic performance of some NEA countries in the post-WWII period which made everyone aware of the economic geography of the Pacific Rim. Also, NEA has attracted attention because of the vast sphere of political and geopolitical issues, where strategic interests of world powers converge and concur.

The spate of recent publications attests that study of NEA region became somewhat fashionable. However, in spite of this burgeoning body of literature on NEA regionalization and regionalism, there is an intricacy which can even be seen by the naked eye. Despite the commonly adopted perception that geographical perspective is crucial to world politics, and to wider geopolitics, there is astonishing disarray in how NEA region is defined by contemporary scholarship.

The term Northeast Asia “[...] has been in use since the Korean War and has gained more prominence in light of the activities of its geographical counterpart, Southeast Asia.”<sup>17</sup> Development of regionalism in Southeast Asia during the 1990s, particularly the ASEAN, also accentuated the need to somehow set up a typology of Asian sub-regions.

In contemporary literature, NEA is often considered as a region formed of but three powers, namely Japan, China and Korea. A following categorical opinion is also not something rare to be met: “By the strictest definition, "Northeast Asia" consists of Japan and Korea, but China, the United States, and Russia have long been involved with the region and it is the interplay of interests among all these powers that has made the modern history of Northeast Asia so violent, dangerous, bewildering, and often tragic. Russia's particular claim to be a Pacific power rests on its control of Dalny Vostok--the Russian Far East--a vast and poorly defined region for which the term "tragic" seems particularly apt.”<sup>18</sup>

What particularly adds bewilderment is that while some authors tend to examine the US as part of NEA,<sup>19</sup> the others consider Russia as part of NEA by only its Far Eastern region; and China is being included into NEA by only the area comprising of its three northern provinces.<sup>20</sup>

Such an interpretation of NEA seems to be inadequate. The arguments here are as follows. As a matter of fact, the Far East among all the rest Russian territories has more vigorous linkages with the Asian countries. However, to include only select territories of Russia in NEA is rather wide of the mark from a political and geopolitical standpoint, because only a state in the unitary form can participate as an actor in international relations. The same reasoning is appropriate for the case of China. As for the US as part of NEA, despite undeniably strong influence and presence the state wields in the region under consideration, from geographical point of view the US-inclusive definition of NEA looks too far-fetched.

The approach to the definition of NEA region employed in this writing supports that of Howe (2005)<sup>21</sup> and goes strictly along the following classification. The NEA region is referred to as the area encompassing the People's Republic of China (hereinafter China, including Hong Kong and SAR, hereinafter Taiwan),

Japan, the Democratic Republic of Korea (hereafter DPRK), Republic of Korea (hereafter Korea), Mongolia and the Russian Federation (hereinafter Russia).<sup>22</sup>

Notwithstanding NEA is made up of relatively few players, the region acquires a salient importance when it comes to contemporary world policy. Indeed, NEA can be characterized as plagued by the security problems of global magnitude, in particular, nuclear and missile proliferation. The region includes two nuclear powers (Russia and China) and another allegedly aspiring to achieve nuclear power status – the DPRK, the behavior of which remains uneasy issue on the global security agenda. NEA holds important political clout on a global level since the two out of the five permanent members of the United Nations Security Council (Russia and China) are located in the region. Additionally, NEA is a region of a substantial US's political influence and military presence, and Korea and Japan are important security allies of the US (with approximately 70,000 US troops stationed in these respective countries). What also adds significance to NEA's geo-political and geo-economic weight is the fact that it is home to vital international shipping lanes.

Another feature of NEA is rather strained intra-regional politico-diplomatic relations resultant from the legacy of Japan's Greater East Asia Co-Prosperity Sphere policy and pre-WWII expansionist policies.<sup>23</sup> As far as NEA countries have not reconciled and come to terms with the history, high and moderate profile security issues remain largely unsettled. To name the most notorious of these contentious issues: the intra-Korean conflict; territorial dispute between DPRK and China on the islands of Yalu and Tumen rivers and a section of the frontier around the Paektu-san (mountain); the territorial dispute between Russia and Japan over the four islands of the Kuril chain (Iturup, Kunashir, Shikotan, and the Habomai); between Japan and Korea over the Liancourt Rocks (Takeshima/Tokdo); and between Japan and China/ Taiwan over the Senkaku Islands (Diaoyu Tai).

Since not so long ago (but at increasingly pressing scale) NEA is encountering environmental problems, such as acid rains, ocean-dumping of nuclear wastes, Asian dust (yellow sand haze), etc. A necessity to combat such calamities brought the environmental provisions into contemporary agenda of NEA fora. Listed among "non-traditional security issues"<sup>24</sup>, these dimensions are anticipated to gain an increasing pressure for multilateral intra-regional cooperation in the years to come.

On the economic frontier, the NEA is also not cohesive and consistent. Thus, intra-regional trade is being bogged down by spats occurring every now and then (e.g., garlic war of 2000 between Korea and China, tatami war of 2001 between Japan and China, etc.). This looks especially odd in the light of mushrooming intraregional economic linkages with statistics showing steep upsurge in intra-regional trade and investment.

Though it can be argued that these are just petty examples of clashes over the trivial trade items, on the other hand, it can serve evidence to inconsistency of the countries economic interests and may be considered as a consequence of lack of multilateral dispute settlement mechanisms. Yet, speaking of the intra-regional economic linkages mostly involves but three countries, namely, Japan, China, and Korea with rather modest participation of the rest from NEA. To be objective, gradual Russia's economy recovery along with the progress of the energy related projects (in the NEA context, first of all, ongoing Sakhalin off-shore projects) steer Russia a course of greater involvement in the economic linkages with the region.

As post WW II history reveals, the intensity of interstates' exchange within the NEA rim has had its fair share of ups and downs. Although the signing of postwar treaties provided NEA countries with an opportunity to open a new chapter of cooperation on a multilateral scope, intraregional relations remain extensively hampered by the prevalence of political questions that often go beyond economic practicability.

#### **IV. Inception and formation of NEA regionalism**

It is perceived that there were periods especially favorable for shaping NEA regionalism. Among those the 1950s and 1990s are often referred to. The former closely relates to the hardships of the Korean War of 1950-1953, while the latter provided ample opportunities for the closer regional cooperation. Since 1990s, a number of rather malignant events acted as both benign and pernicious factors to NEA regionalism. To mention turning points at which intra-regional collaboration was extremely required and prerequisites for regional integration were especially authentic, there were new consequences brought by the end of the Cold War, Asian financial crisis of 1997-98, debacle of the 1999 WTO ministerial meeting in Seattle, September 11 terrorist attacks, and etc.

Yet, several crests of popularity of the ideas of NEA regionalism can also be traced back to the 1980s. There was a boom of 1980s resulted in formation of the concept of the Japan Sea Rim which focused on inter-city and inter-regional cooperation. Another upsurge of the public attention occurred along with the deliberations on the Tumen River Development Project adopted in 1991 under the aegis of the UNDP. In the latter 1990s, the debates over the prospective international intra-NEA cooperation were galvanized by vigorous economic integration in East Asia (ASEAN).

Regionalism in NEA has already undergone several shifts. That is to say, some geopolitical shift can be distinguished as narrow conceptions of the Japan Sea Rim, the Bo-Hai, and the Yellow Sea Rim in early

1990s giving impetus to the concept of NEA regional cooperation comprising all six countries of the region. Moreover, a paradigm shift occurred by means of switching from regional cooperation mainly maintained in the natural economic territories (Japan Sea Rim economic bloc, the Rim of Bo-Hai and Yellow Sea economic bloc, the Hunan economic bloc, the Taiwan Straits economic bloc) to cooperation through intraregional agreements. Furthermore, an institutional shift came into existence with the rising grasp of central and local governments' role instead of that of NGOs which were previously the main actors mastering the intra-regional linkages.

Since 1990s, NEA has been experiencing a set of forces that profoundly influenced international relations in the region. As Samuel S. Kim (2004) sees it, contemporary developments in NEA brought about normalization of the Soviet-Korean (1990) and the Sino-Korean (1992) relations which marked the end of the Cold War there. This in addition to the alteration in the balance of power which happened due to the rising power of China and Korea, and declining post-Soviet Russia and the DPRK should not be neglected.

Among the most comprehensive recent writings analyzing regionalism in NEA, a volume by Gilbert Rozman (2004) attracts particular attention. The book contains theoretical framework on regionalization in NEA and empirical findings covering period from 1980s to the beginning of 2000s. Rozman refers to NEA regionalism as to “stunted” one, implying that there were conditions especially favorable to integration in NEA, however each of the states has its own share of guilt for the common failure to proceed with shaping a regional community. Rozman composed the “order of responsibility”: “One, North Korea has scorned any loss of control, playing WND blackmail with reckless abandon. Two, Russia, has feared economic integration, for which was unprepared, and has treated most foreign investment badly. Grouped together at three to five, the order of which changes over time, China long put objectives linked to multipolarity above regionalism, raising suspicions; South Korea took a long time to appreciate how regionalism can shape the evolution of North Korea, while remaining suspicious of globalization; and Japan narrowly defined its pursuit of regional leadership and, when disappointed, became more cautious without winning Chinese or U.S. trust in its goals. Six, the United States suspected a potential brake on globalization, sending mixed signals. None of the six countries boosted trust in regionalism through its primary foreign-policy priorities, North Korea, Russia, and the United States to varying degrees, feared it, and the core countries, South Korea, China, and Japan that must coordinate their support, were slow to work together, each suspecting that others would be at an advantage and all doubting globalization.”<sup>25</sup>

Some authors hold that NEA regionalism is tremendously hampered by the organization gap, though

they tend to attribute this malice to different rationale. As Gilbert Rozman representing the realist tradition puts it, this gap is due to geostrategic origins. The historical institutionalist school Peter Katzenstein, sees this gap as being rooted in institutionalized norms and culture. A somewhat pacifying approach has been suggested by Kent Calder (2004) who designed the eclectic critical juncture model.<sup>26</sup> This model is underpinned by the theory of comparative politics (S. Verba, S. Krasner, S. Skowronek), according to which individual leaders' choices at critical decision points are crucial in determining the form and the function of subsequent institutions. Calder combines realist tradition and historical institutionalist school (dynamic interaction among individual decision-makers at decision points where institutions have the potential for major change) and explains how external shocks (crises) can act as a catalyst that individual decision-makers can use to create institutions, and as well as what specific impact processes can have on outcomes.

There is no so much disharmony in how the experts see the factors encouraging (if not urging) regionalism in NEA and issues which are detrimental to the progress. Naturally, the topic is being approached from different facets, however the conclusions are basically consistent. The major obstacles hampering regional cooperation in NEA can generally be specified as follows:

- the communication problem (coming from failure to see common interest);
- the coordination problem (resulting from guardedness toward Japan, Cold War estrangement);
- the poor state of affairs agenda-setting wise (originating from the lack of think tanks and blueprints for change); and
- the difficulty in forging political coalitions.

Speaking of the institutional grounds that can pull together the efforts of the six nations in the region, some promising signs of multilateralism can be found. The following organizations and mechanisms are dealing with sectoral and structural aspects of regional agenda (though but a few of them are established to cope with exclusively NEA's issues):

- Asia-Pacific Economic Cooperation (APEC, 1989);
- North Pacific Cooperative Security Dialogue (NPCSD, 1990);
- Council for Security Cooperation in the Asia Pacific (CSCAP, 1992);
- The Tumen River Development Plan (1992-1994) and its successor, the Tumen River Economic Development Area project with support of the UNDP (1994);
- ASEAN Regional Forum (ARF, 1994) (DPRK joined in 2000);
- Northeast Asian Cooperation Dialogue (NEACD, 1996);

- ASEAN+3 (1998);
- The Association of North East Asia Regional Governments (1998);
- Four Party Talks (USA, China, Korea and DPRK) succeeded by KEDO (1994) that transformed into the Six-party dialogue (2003), etc.

A quick glance at above listed organizations allows concluding about prevailing importance of the issues associated with security. At the same time, it is stressed out that despite developed web of bilateral relationships in NEA (mainly between Japan and the US, Korea and the US), the states “[...] have failed to aggregate them into partial or complete multilateral structures.”<sup>27</sup>

Another topic featured as one of the shortcomings of NEA regionalism, namely the scarcity of think tanks and blueprints for change, is not all gloom. A range of think tanks is vigorously embarked on interchange on specific areas, such as:

- Institute of Energy Economics, Tokyo, Japan (IEEJ, 1966);
- National Institute for Research Advancement (NIRA, 1974), Japan (NIRA Working Group on a Grand Design for Northeast Asia, 2003; NIRA Working Group on Environment-oriented Utilization of Energy in Northeast Asia, 2004);
- China Energy Research Society, Beijing, China (CERS, 1980);
- Korean Institute of Energy Economics, Seoul, Korea (KIEE, 1986);
- The Korean Institute for International Economic Policy, Seoul, Korea (KIEP, 1990);
- East-West Center (Honolulu, Hawaii) Northeast Asia Economic Forum (NEAEF, 1991);
- Economic Research Institute for Northeast Asia (ERINA, 1992);
- Development Research Center of China, Beijing, China (CDRC, 2000);
- Journal Far Eastern Affairs (“Northeast Asian Regionalism” until 1995), etc.

From the moment of their establishment, the institutions did play rather important role as agenda setting forums. Recently, since energy security that has ever been of great importance, gained even increasing vitality for the majority of NEA states, energy related research institutions are progressively shaping international continuum for intra-regional cooperation and exchange.

The contemporary studies on NEA regionalism reflect undergoing search for the fields promising for closer intra-regional integration. Obviously, the issues of security and financial cooperation gain utmost attention and, therefore the concepts on the prospective regional collaboration in these particular spheres are being debated over. There are visions on common mechanisms to combat regional threats to both security and

financial stability (Calder, Ye, 2004)<sup>28</sup>, or focusing on averting “militarized crises and war” in NEA (Haggard, 2004,<sup>29</sup> Akaha, 2003<sup>30</sup>), and exploring potential for further financial cooperation (Pempel, 2005)<sup>31</sup>.

Actually, the Asian crisis has already made a need for common action more transparent and, to some extent, eased the drawbacks of collective action. The post-crisis upsurge of willingness to develop intraregional cooperation led to the establishment of more rigorous personal networks between national leaders and brought about the development of political-economical mechanism to somewhat counterbalance the US role in the region. One of the concrete measures to heal the 1997-98 crisis` upshot was the Chiang Mai financial swap-quota agreement concluded in 2000.

In the economic realm, the characteristics below (refer to Table 2) advocate well the principle of NEA economies exceptional complementarity which is habitually addressed while advocating the future of NEA integration.

**Table 2.** Resource endowment of NEA

NEA countries	Population	Labor	Capital	Technology	Managerial experience	Infrastructure	Oil & gas	Coal & Minerals	Agricultural resources
China	A	A	D/C	C	C	C	B/C	A	B/C
Japan	A	C	A	A	A	A	D	C	C/B
Korea	B	C	B	B	B	B	None	C	C/B
DPRK	D	B	D	D	D	D	None	B	B
Russia	B	D	D/C	C	C	C	A	A	A
Mongolia	D	C	D	D	C	D	B/C	B	B

Note: A represents the highest level of endowment while D – the lowest level.

Source: Compiled by the author.

Obviously, NEA has already become a viable world economic hub thanks to Japan, China, Russia and Korea which are rapidly strengthening their interregional connections and expanding relations with the US. At the same time, due to a profound gap in level of economic development (refer to Table 3), the countries play a by far different role in intraregional and international economic relations.

**Table 3.** Basic indicators of Northeast Asian countries, 2004

Country	Surface mln sq. km	Population, mln (2005)/ to world indicator, %	Density of population	GDP, \$ bln/ to world indicator, %	GNI per capita, \$ (2006)	Export, \$ bln	Import, \$ bln	Unemployment rate, %
Japan	377.9	127.9/ 2.05	336.8	3582/ 11.30	38980	447.1	346.6	5.3



Korea	99,3	48.2/ 0.78	49.3	857.8/ 2.70	15830	201.3	175.6	3.4
China	9597	1 298.8/ 20.95	135.3	6449/ 20.33	1740	436.1	397.4	10.1
Hong Kong		7.2/ 0.01		167.6/ 0.53	27670			
Russia, including RFE	17075 6191.5	141.5/ 2.32 6.6	0.8 0.1	1282/ 4.04	4460	134.4 5.19	74.8 2.04	8.5
DPRK*	120.5	22.9/ 0.37	0.19	29.6/ 0.09	1300	1.28	2.28	n/a
Mongolia	1564	2.7/ 0.05	0.2	4.9/ 0.02	690	0.87	1.02	3.6
NEA	28833	1644	5.67	12205.3	10500.0/ 12535.7	1420.6	997.13	-
World	133895	6199	48.0	31720	5120	7274	7557	-
NEA share to world, %	21.53	26.52	-	38.48	205.08	19.53	13.19	-

Sources: compiled from data of the World Development Indicators, World Bank, 2004, 2006; UN, 2005;

Note: \* from 北東アジア経済データブック. ERINA. 2005.

<http://www.odci.gov/cia/publications/factbook/geos/html>, <http://devdata.worldbank.org/data-query/>

Indeed, large discrepancy in the level of economic development may be considered as a stumbling block to further intra-regional collaboration. Despite soared intra-regional economic cooperation (as of mid 2000s, Japanese exports to China grew by 605.88 % in comparison to the level of 1981, while Chinese exports to Japan within the same period rose by 957.45 %), no regional economic blocks have been established so far. As members of such organizations like APEC, ARF, and other groupings, NEA nations have come to realize the benefits from sub-regional initiatives. In fact, several sub-regional initiatives, such as ASEAN+3, ASEAN-China, ASEAN-Japan, ASEAN-Korea, FTAs talks between Japan and Korea, Korea and China, have been launched. However, there is no any full-fledged integration framework within NEA. And what actually adds concern is that there is no mature plan that could be implemented within a span of a couple of years.

A reasonable question can be asked here: Why such indifference towards a genuine regional community is being observed in NEA? A plausible though terse explanation may be that progress towards such a goal has been bogged down by a set of issues of extreme complexity which involves the appearances of tripartite origins such as; nationalism, regionalism and globalization.<sup>32</sup>

A movement on the way to closer integration in NEA is undeniable, and that gives grounds for optimism. At the same time, while pondering over the factors promising for NEA regionalism, those of a discouraging nature can also be observed in abundance. A preliminary scheme for testing the question of how globalization,

regionalization, and nationalism interact in case of NEA is presented below (refer to Table 4).

**Table 4.** Testing the potency of regionalism in NEA

Linkage to be tested	Case of NEA	Benign (+)/ pernicious (-)
nation-states oppose globalization (divergent trends)	the majority of NEA states are actively trying to penetrate the world market	+
nationalism and the formation of new states are encouraged by the forces of globalization (convergent trends)	Taiwan and the two Koreas issue (long-run prospect)	+
nation-states oppose the forces of regionalization (divergent trends)	rivalry between Japan and China	-
nationalism and the nation-states can be strengthened through regionalism (convergent trends)	the uniting area is security in a broad sense of the term (energy security is of particular importance)	+
regionalization coexists with nationalism and with globalization (overlapping trends)	ongoing regionalization intertwined with global developments is not supported by positive nationalistic sentiments	-
nation-states mediate between trends of regionalization and globalization (overlapping trends)	China which is able to determine the scope and direction of both regionalization and globalization	+
nation-states oppose globalization through regionalization (divergent trends)	the NEA states' strategic behavior is not directed at forming concerted concept of NEA regionalism	-

Source: compiled by author.

Note: the scheme is pending further elaboration

Referring to the Rozman's dimensions of regionalism, it can be noticed that economic integration in NEA has gathered momentum. However, even an initial (according to Balassa classification) stage of integration has not been achieved. In some part, this can be perceived as the resultant of heterogeneous level of the countries economic development in the area of institutional integration, some transparent progress can be seen, while social integration and identity formation can be considered as sources for continuous interstate tensions.<sup>33</sup>

On the whole, regionalization in NEA lingers in infancy and lags behind the other examples of Asian integration. For the entire NEA, regionalization and globalization are being developing mainly in parallel with probably the only one area with overlapping trends, namely security.<sup>34</sup> Though the latter seems to be a rather typical illustration to what is being observed all around the globe after notorious 9/11, in the NEA context, security issues have seized an exceptional significance.

Despite profound politico-diplomatic as well as military changes occurred in NEA since the end of the Cold War, the state-of-the art intra-regional security cooperation has gained ever seen importance that stretches far beyond the NEA boundaries. The July 5<sup>th</sup> 2006, DPRK's launch of 7 ballistic missiles, including a long-range Taepodong-2, in the direction of the Sea of Japan followed by the October 9<sup>th</sup> 2006 underground nuclear test jeopardized peace and stability. While the six-party talks remain stalled from November 2005,

DPRK keeps threatening the world by further development of its nuclear-weapons program, relating it with the US's policy towards DPRK and especially with the US's standing over sanctions imposed on the DPRK. Such a lamentable intercourse, let alone that it is fraught with serious consequences politico-diplomacy wise, is also destructive to both the progress of national economies and inter-regional economic relations.<sup>35</sup>

## V. Leadership in NEA regionalism

The studies on leadership in Asian regionalism fall into two main groups. First one stands for Japan sustaining its leading role and another attests that China has already started to substitute Japan as a leader of NEA regional integration.

Among the first proponents of Japan's leading role in Asia was a Japanese economist Kaname Akamatsu. He is credited with creation of a multi-tier hierarchical "flying geese" theory in the 1930s.<sup>36</sup> Although the theory explains how industrialization spreads from developed to the developing countries, in a broader sense, this model can be applied for examination of the path of Asian integration. In this flying geese pattern, Japan leads the second-tier less developed countries which, in their turn, are followed by the third-tier least developed countries.

The hierarchical structure of the flying geese organizational pattern can offer an explanation for Japan's sense of superiority and its insistence to lead the rest of East Asia in the pre-war period and during the WW II. As Pempel points out, the "[...] message to the rest of Asia was quite simple: follow Japan's example, stay in line, do not try to get too close, and eventually you too will fly into this kind of successful economy... The implicit arrogance of a permanent place at the front of the avian Asian advance seems never to have been challenged."<sup>37</sup>

The model reflects such aspect of Asian integration as the apparent unison in which the flying geese progressed and were maintained through the use of first military and then economic power<sup>38</sup>. Emergence of the first gaggle of flying geese (Taiwan, Korea, Manchuria) was due to Japan's invasion and occupation of its neighboring countries. The Japanese military government declared that it was liberation of Asia from Western colonialists and so the Greater East Asia Co-Prosperity Sphere was established.

In the postwar period, Japan set out as a staunch ally of the US in world politics, and seems to have considered a gradual position in Asia at some stage. The first declaration of such was the basic principles for the development of relations between Japan and the ASEAN countries, better known as the Fukuda doctrine.

In 1977, while on a tour of the ASEAN member states, the former Japanese Prime Minister Takeo Fukuda made a speech in Manila in which he articulated Japan's foreign policy. It was pledged that Japan, a country committed to peace, would never become a military power and would build up relationship of mutual confidence and trust with ASEAN countries in wide-ranging fields. Thus, the Doctrine created foundation of Japan's diplomacy toward the rest of Asia. Throughout the second half of the 20<sup>th</sup> century, Japan was establishing vast and sophisticated production network with the Asian countries (the second-tier geese: Korea, Taiwan, Hong Kong, Singapore, and third-tier geese: China, Thailand, Malaysia, Indonesia) by means of expanding foreign trade, overseas investment and ODA.

The next step towards closer cooperation with the ASEAN countries was undertaken by Japanese Prime Minister Ryutaro Hasimoto. During the round of the Prime Minister visits to Brunei, Malaysia, Indonesia, Viet Nam and Singapore in January 1997, it was proposed to hold regular top-level conferences between Japan and ASEAN. In April 1997, contrary to Japan's expectations, ASEAN suggested to establish a summit of ASEAN countries, Japan, Korea and China (later named ASEAN+3). That was something new that Japan had to consider carefully. In the meanwhile, the Asian crisis burst out in 1997 and brought about new challenges. The crisis had such significant consequences that it is believed to become a turning point in Japanese policy, a point from where Japan's participation in East Asian regionalism has actually begun.

At that time, Japan has not only been actively involved in the international (designed mainly under the IMF's supervision) programs to combat the Asian crisis, but also presented its own concept of the Asian Monetary Fund (AMF) in September 1997. However, from the very beginning, the Japan's initiative was strongly opposed by the US. The rationale behind the US's resistance was clear enough, they were afraid of their influence in Asia weakening. In addition, the states invited for the participation in the AMF (China, Korea, Indonesia, Malaysia, Singapore, Thailand, the Philippines and Australia) have also shown no interest in the institution. In the meantime, in spite of all the efforts undertaken by the IMF and nations, the crisis remained unabated.

What added bewilderment was increased criticism from the US of Japan's inadequate leadership in resolving the crisis. In its turn, Japan expressed its dissatisfaction with a position occupied by the US. It was pointed out that by October 1998 Japan contributed \$ 44 bln to overcome the Asian crisis in comparison with only \$ 8 bln provided by the US.<sup>39</sup>

Under above circumstances, Japan set about revising its policy and adopted a plan targeted at strengthening its influence in Asia. The program, announced in October 1998, was the New Miyazawa

Initiative (after then Finance Minister Kiichi Miyazawa). The New Miyazawa Initiative is regarded as the epoch of Japan's regional policy because it testified that Japan was ready to make earnest efforts not only for economic revival of Asian countries, but also for seizing its own initiative outside the American influence.

In total, Japan allotted mammoth injections of funds to the countries affected by crisis. The approximate sum of medium and long term loans at preferential interest rates, including implementation of local training programs for about 10 000 personnel, amounted to 80 \$ bln. There was no any other country which gave support comparable to that of Japan. Therefore, it is safe to say, that Japan has to be attributed to the Asian economic renaissance by far more than the other states.

The other noteworthy proposal of Japan within a span of post-crisis years was the Chiang Mai Initiative concluded in May 2000. The Chiang Mai Initiative is a bilateral agreement between ASEAN and Japan, Korea and China to lend foreign-exchange reserves to the nations suffering financial crises. In order to avoid criticism from the US, the Chiang Mai Initiative was launched by Japan as not only a bilateral agreement but also as a complementary measure to the IMF mechanisms.

Naturally, through financial initiatives to resolve the Asian financial crisis Japan gradually strengthened its status in the region and became more deeply involved in the ASEAN+3 forum. It, though, can be noticed, that Japan has once again demonstrated its adherence to the approach coined "cheque-book diplomacy" (kogittegaikou). Since the economic recovery after WW II, Japan is being known for pursuing its interests through mainly economic and financial assistance. That may well be because of the feeling that Japan's political ambitions have been restricted by the postwar order shaped by the 1954 San Francisco Peace Treaty and the constraints of article 9 of the Constitution.

Until a decade ago, such model of foreign policy matched well Japan's status of engine of regional economic growth and helped Japan to strengthen its role in the regional integration. However, the turmoil triggered by the burst of the "bubble economy" exhausted domestic resources and, consequently, led to decreased Japanese overseas investment as well as to significant cuts of ODA. Despite the fact that Japan is still by far the largest economic power in the region, a decade long downturn has shaken the country's position and revealed that strategic and tactical decisions that have been made on the traditional basis are becoming further limited. Nowadays, when Japan potentially faces threats from an ever-growing China and sustained bellicosity of the DPRK, its status as a civilian power which possesses economic might, but lacks in political influence and is military handicapped, may no longer guarantee it a secure environment. Taking into account the complicity of contemporary politico-diplomatic global intercourse, it can be said that Japanese

foreign policy to some extent does damage the nation's image worldwide and, for that reason, Japan is being criticized both domestically and internationally.<sup>40</sup>

Japanese analysts and experts are not unified with regard to the perceived benefits and burdens of regional integration. According to the official statements of the Prime Minister and Ministry of Foreign Affairs, Japan is strongly committed to regional integration. However, commentators, critical to Japan's effort to take an active leading role in regional integration, argue that the country is neither prepared to bear the adjustment costs of integration nor to replace protectionist strategies with the opening of Japanese markets in all sectors. Those in Japan who favor economic integration are confronted with powerful domestic lobbies (especially in such sectors as agriculture, forestry and fishery) as opposed to further economic integration.

Still, resistance to economic integration leaves some room for acknowledgement of the potential benefits of closer cooperation. For that reason Japan has actively engaged into promotion of the FTAs and EPAs. Having signed several FTAs and EPAs (with Singapore, Mexico, Malaysia, Philippines, etc.)<sup>41</sup>, Japan conducts negotiations with the partners located in geographical proximity (Thailand, Indonesia, Viet Nam, Brunei Darussalam, ASEAN, Korea, China, etc.) as well as with rather remote ones (Chili, India, GCC, Switzerland, Australia, etc.).<sup>42</sup>

Needless to say, succeeding in international relations is of high importance for the integration in NEA. Though a tripartite intercourse between Japan, China and Korea determines intra-regional cooperation, bilateral Japanese-Chinese relations are particularly regarded as a key condition for NEA regionalism.

Since the launch of China's "open door" policy, its swift economic development was supported by the Japanese governments' ODA allocation, Japanese corporations' investment, and enlargement of bilateral trade. From 1980, Japan's ODA to China totaled to \$ 27.5 bln, of which \$ 25.3 bln consisted of loans with 3 % interest.<sup>43</sup> However, in the light of growing concern with China's strengthening military potency, Japan has readjusted its ODA policy towards China by redirecting the aid from infrastructure-related projects to the environment and human-resource development programs.<sup>44</sup> Though the Japanese authorities continue to consider China among the priority recipients of its ODA<sup>45</sup> (with China being the third largest recipient, as of 2005), it is already being commented that there is no actual need for the Japanese ODA in China. At present, the country itself could and actually, it does (for example, to the DPRK) provide foreign aid. The rationale behind this ongoing Japanese aid to China might be Japan's attempt to somehow mollify interstate tensions for the sake of Japan's own economic and political good.

Obviously, since normalization of the bilateral diplomatic relations in 1972, the economies of China and

Japan have helped each other. China has turned out to be a natural partner for Japan, a country poor in resources but superior in high technology. As a matter of fact, the pattern of the economic intercourse has undergone changes. In 2005, China has emerged as Japan's biggest trade partner, with the two clinching a record high trade volume of \$ 189.3 bln. Japan, in its turn, was the third-largest to China after the EU and the US. Boosting trade is paralleled by a corresponding rise in Japanese FDI. Nowadays, China trails only the US as a destination for Japanese investment.<sup>46</sup>

Deepening economic interdependence between China and Japan is of positive value to their relationship which on the whole remains hampered by many issues.<sup>47</sup> More precisely, rising number of crimes committed by Chinese nationals in Japan, widening discontent about contamination caused by Japanese chemical weapons abandoned during wartime in China, Japanese government officials' visits to Yasukuni shrine, whitewashing of wartime and colonial era events in Japanese history textbooks, etc. these are but a few sensitive topics thwarting the progress in bi- and multilateral affairs. Evidently, each state has its own agenda, motivations and circumstances that have brought about its attitude for intraregional cooperation. In case of intercourse between Japan and China, what should be admitted is the notion that bilateral relations have not been completely wrecked during the past decade mainly due to the modest business incentives enlarging economic cooperation and thereby somehow mending politico-diplomatic breaches.<sup>48</sup>

As for the China's aspiration for the regional leadership, discussions on this topic often start with the reference to its astonishing economic performance. Indeed, the country develops at impressive speed (annual GDP grows at about 10 %), attracts the largest amount of FDI (over \$ 50 bln per annum), holds GNI of 6<sup>th</sup> rank (measured in nominal terms) and of 2<sup>nd</sup> (adjusted to PPP) in the world, imports large amount of crude oil (the 2<sup>nd</sup> only to the US), etc. All of these characteristics eloquently testify the country's leapfrog achieved within a span of less than two decades.

China's seems to be sustained economic development changed the context and added importance to the contemporary study on the leadership in Asian integration. It is worth noting though that China is still perceived above all as an engine for economic growth but not necessarily for economic integration. As many analysts maintain, even though China surpassed Japan in the progress of its FTAs/ EPAs negotiations (the case with ASEAN), the country is more willing to observe provisions of modest bilateral agreements with regard to trade and committed to "conditional multilateralism".<sup>49</sup> It is somewhat logically, as China being a developing country is more concerned with further growth of its own economy.

Naturally, China's apparent economic achievements make even skeptics to admit that the country can be

assigned a leadership role in economic integration. At the same time, there is a notion that even in Asian context, with its differing from Western perception of democracy, China cannot claim for stronger stance as a political leader of NEA integration. Instead, democratic Japan (and Korea) should assume the reins of leader in the political integration.

## **VI. Blueprints on NEA regionalization**

Scarcity of the blueprints on NEA integration was previously pointed out among the impediments to the progress of regional cooperation. To be objective, since 1990s several multilateral long-term projects have been suggested. These rather ambitious projects cover such areas as development of intra-regional infrastructure, closer integration through expansion of trade agreements, promotion of financial collaboration and regional security.

Among the projects on cooperation in NEA, the Tumen River Area Development Programme occupies a special position as it was the first conception for NEA regionalism which implied direct involvement of the majority of the regional powers (China, Russia, Mongolia, Korea, and DPRK). In 1991, UNDP agreed to support the initiative of the NEA countries to establish an institutional mechanism for regional dialogue and further integration. The main objectives of the Tumen Programme are to:

- attain greater growth and sustainable development for the peoples and countries in NEA, and the Tumen Region in particular;

- identify common interests and opportunities for cooperation and sustainable development;

- increase mutual benefit and mutual understanding;

- strengthen economic, environmental and technical cooperation; and

- work to ensure that the Tumen Region is attractive for international investment, trade and business.<sup>50</sup>

At present, the Tumen Programme is being focused on spheres of high importance for the regional economies (such as energy, transport, tourism, etc.). Though, the Programme has developed through several stages, it is too early to speak about concrete achievements. It can be supposed, that having been supported by the progress within the other regional projects, this initiative would gain momentum for the implementation.

The most grandiose project on NEA region development entitled “Grand Design for Northeast Asia” has been formulated by think tanks of Japan, Korea and China (NIRA, KIEP and CDRD, respectively). The particular value of this project comes from its complex character allowing development of visions and



concrete tactics to further multilateral cooperation in NEA region comprising all the states.<sup>51</sup>

Two stages are outlined in the Grand Design. The first is physical integration that involves establishment of basic social infrastructure, which can contribute to deepening the level of multilateral cooperation, such as an extensive railway systems, highways and pipelines. The second stage is networking of clustered areas which are also considered to be of high potency for regional cooperation.

While the concrete project plans are under consideration, several strategic issues that are presently debated over can be mentioned. Among those, there are measures to conserve the environment, including measures ensuring the permanent preservation of the pristine ecosystems in the region. Given close connection between energy and environment, the energy policy is also to be addressed. The other sector is transportation, distribution and telecommunication systems which serve as the foundation for development of the entire region.

The natural gas pipeline project involved in the plan for a "Northeast Asian Union for Energy and Environment Cooperation" (proposed in April 2001) is a specific example of a strategic development project. In order to respond to energy and environment issues, considered the Achilles heel of development in NEA, this project seeks to achieve multilateral cooperation in the construction of a pipeline network to enable the rich natural gas resources of the Russian Far East and Eastern Siberia to be supplied to the entire NEA.

Another example is a major railway network project named the Big Loop. This is the plan to construct an express railway network in the form of a loop connecting the parts of NEA and forming an integrated transport artery for the basic areas in the region. This is a feasible plan, given that it basically involves an improvement of existing railway networks.

Furthermore, at the meeting of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) held in April 2004 in Shanghai, Japan ratified the "Intergovernmental Agreement on the Asian Highway Network". Tokyo has been assigned as the starting point of "Asian Highway 1". The project is viewed as rather realistic. Prior to realizing this plan, however, the "Japan-South Korea Undersea Tunnel" connecting Japan and the Asian continent has to be constructed.

In addition to a tunnel connecting Japan and Korea, NIRA's Grand Design proposes the further extension of the high-speed rail network in the region via the Korea Train Express Gyeongbu Line and the Gyeongui Line. Such a system would run through the Northeastern part of China, connecting Beijing, Shenyang, Changchun and Harbin, and link NEA with Europe via the Siberian railway. Such a high-speed rail network would enable traveling by rail from Tokyo to London. It is, though, high time to commence

feasibility study to clarify the means of and by which to realize this tremendous project.

It is strongly anticipated that having Grand Design been accomplished, it would trigger joint international collaboration and, thereby, would naturally contribute to easing tensions between the NEA nations and deepen economic integration in the region.

To further progress in intra-regional linkages, NIRA also proposes to establish a permanent organization for running discussions on common agenda. Such an organization is seen to be particularly helpful in accumulating results of research generated by regional think tanks, facilitating the information exchange and organizing the intergovernmental discussions.

As it has been recently unveiled, Japan seeks the establishment of a regional economic policy formulating think tank, a type of Northeast Asian OECD. The prime objective of the proposed institution is to coordinate cooperation between the nations in the region. To this end, NIRA has also suggested creation of a network among the research institutes from China, Korea and other NEA nations. This represents a further step towards institutionalization of regional integration.

The other idea under consideration is the establishment of the Northeast Asia Regional Forum.<sup>52</sup> As has been noted before, in many cases the potential for cooperation in NEA is held captive by the intractable nature of the diplomatic disputes. In this context, the rationale for the Forum to be founded is that it would allow member states to set aside conflicts that cannot be resolved in the near term and to concentrate on mutually profitable opportunities for coordination in other areas. The Forum would provide NEA states and all who are subject to their policy choices a necessary multilateral framework to reinforce economic interdependence, mitigate risks associated with political mistrust, and bolster regional security.

As for the FTAs/ EPAs schemes comprising all NEA countries, unfortunately there are no such proposals under consideration. In July 2006, it was announced that Japan aspires to hold a wide economic partnership encompassing Southeast and Northeast Asia. However, it turned out that a 16-nation Asia-Oceania FTA involves Australia, China, Korea, India, Japan and New Zealand, along with the 10 members of the ASEAN.<sup>53</sup> Regrettably, Russia, Mongolia and DPRK remain outsiders to the newly proposed grouping.

On the side of financial cooperation, the AMF project, proposed by Japan at the time of the Asian crisis, is being revived. According to ongoing discussions, the AMF is to be established in a format of the institution to carry out the following functions:

- to formulate the foreign exchange regime and foreign exchange rate policies;
- to develop a policy towards foreign capital, and in particular, towards short-term foreign capital flow;

- to support internationalization of home currencies and take measures against international speculation with them;

- to liberalize and work on stabilization of national financial markets;

- to foster domestic markets, especially the long-term capital markets, bond markets, and stock markets;

- to encouraging the use of regional currencies, also through the establishment of direct exchange markets among the regional currencies and the development of such transactions;

- to create a settlement system among regional currencies;

- to increase bond transactions in the international markets, etc.

It should be noted, though, that the AMF project expands mostly under ASEAN+3 framework and, for that reason, cannot be highly expected to spur the progress in NEA regionalism.<sup>54</sup>

Both advocates and skeptics of NEA financial cooperation concur that the region faces several challenges for closer cooperation. The most serious challenge of the economic nature reflects the fact that the regional economies are diverse and heterogeneous in terms of economic systems and structures, levels of economic development, institutional capacity, etc. This creates obvious difficulties for the attempts to agree on coordinated policies and take joint action at the regional level.

The other challenge is how to alleviate the existing tensions between the countries in the region and create conditions for political leadership to emerge. On the multilateral basis, there is a number of institutions handling of the security agenda. The KEDO, believed to ease security threats in NEA and beyond, however, stunted over slow-moving progress on multilateral cooperation. It was later transformed into framework of the six-party talks. This initiative has also not proved to be efficient as attempts to solve a sensitive issue failed many times. As long as the DPRK preserves high profile security instability in NEA, such security fora as the APEC, ASEAN+3, and ASEAN Regional Forum (“track I” forum includes all NEA states), and other at the unofficial level, such as the Conference on Security Cooperation in Asia and Pacific (CSCAP, “track II”, 1993) will be much needed to promote security dialogue among states of Pacific Rim.<sup>55</sup> As for the intra-regional relationship, there is a ground for hope that should elected in September 2006 new Japanese Prime Minister have fulfilled his pledges on the policy towards China and Korea, the situation in entire NEA would change to the better.

## **VII. Speculations about the future of NEA regionalism**

In some ways, NEA today is reminiscent of Europe at the turn of the 20<sup>th</sup> century, when rising regional powers, territorial conflicts and troubled bilateral relations were about to set the continent on the road of tragic consequences.

As history holds, on May 9, 1950, the French Foreign Minister Robert Schuman held a press conference at Quai d'Orsay and proposed to place the whole of the Franco-German coal and steel production under a common High Authority in an organization open to the participation of other European countries. The prime motive of this proposal later known as the Schuman Plan was not economic, but political: "to end Franco-German hostility once and for all".<sup>56</sup>

The Schuman plan had been one of the French ideas to solve "the German problem".<sup>57</sup> Through the means of indirect control that could be excised through joint institutions, France wished to ensure that the German rearmament potential would not again be employed against it. At that time, the "tying in" of a democratic German into a united Europe was a prime concern. The coal and steel economy of the Ruhr area seemed to be natural starting point for this sort of strategy.

Despite opposition from the SDP and steel industries in Germany, the Schuman Plan was eventually developed into the European Coal and Steel Community (ECSC) by the Treaty of Paris, signed on March 18, 1951. Actually, the ECSC became the first supranational authority in Europe that successfully developed non-war community between France and Germany as the Declaration had aimed for.

A number of causes are attributed to the success of the ECSC. First, the establishment of the ECSC came during a period of a very favorable climate of public opinion generated by various movements for a European Federation. Second, the pooling of production and distribution of coal and steel merged very significant economic sectors across national boundaries, creating important interdependence among the ECSC member states. Third, the chief executive bodies of the Community were empowered with supranational powers in the constituent Treaty. Fourth, the US government gave its very strong backing to the European unification. Finally, the first President of the High Authority (now European Commission) was Jean Monnet, a most capable and very highly regarded chief executive and enthusiastic supporter of European unification.<sup>58</sup>

Indeed, the states' political elites are primarily accredited with the success of the European integration. The most important inter-elite relationships were those at the top level of governments. Although good personal relations between rulers are no guarantee of good relations between states they rule, they obviously

did play a decisive role in the case of the European unification. The French-German détente and concert is traced further back to even the 1920s when Aristide Briand with support of Gustave Stresemann proposed the League of Nations in 1929 for a European Union. The “couple” between Schuman and Adenauer (1950-1953) was the second and between Adenauer and French socialist Prime Minister Guy Mollet (1956-1957) was the third. Adenauer’s close affinity with de Gaulle which was the fourth in history turned out to be the most important. The previous three cases made “concert” between the two countries possible, but the fourth case successfully moved beyond “concert” to “reconciliation” between the two nations.

Moreover, President Georges Pompidou and Chancellor Willy Brandt relaunched Europe with the Hague summit in 1969 and made the first enlargement to include the UK possible in 1973. Meanwhile President Valéry Giscard d’Estang and Chancellor Helmut Schmidt converted their summit into the European Council in 1974, and introduced the first direct election of the European Parliament and established the European Monetary System in 1979. A spectacular partnership between President François Mitterrand and Chancellor Helmut Kohl in the 1980s and 1990s, transpiring into the pushing of the Single European Act and the Treaty on the European Union (Maastricht Treaty) is a more recent example.

It is clear, though that even given such brilliant partnerships between the political leaders and elites, they alone would not been able to unite Europe. There was a strong support of the public at large backing European unification. A most important movement in postwar Europe was the widespread impulse towards reconciliation and friendship, spread by political parties, churches, and individuals.

Which lessons can be learnt from the European experience? Can they be applicable to the NEA regionalism? Needless to argue, using the example of the EU as a standard sets the bar for NEA regionalism too high. However, some dimensions for the comparative observation which seem to be worthy of further in-depth examination can be presented as following (refer to Table 5).

**Table 5.** Dimensions for comparison between the EU and the NEA

Differences: EU vs. NEA	Similarities: EU - NEA
shared cultural/religious values, clearly defined borders vs. cultural heterogeneity and geographical vagueness <sup>59</sup>	external pressures in post-war Europe (hardships of WW II, threat of communism, US pressure via the Marshall Plan) - NEA’s security hazard (military, energy, financial, etc.)
concept of tolerance and reconciliation between France and Germany vs. Japan’s lukewarm attitude towards NEA due to its adherence to the alliance with US	leading powers with relations heavily burdened down in the past: France and Germany (EU) - Japan and China (NEA)
US’s support of multilateralism in post-war Europe vs. established by US system of bilateral alliances in NEA	rapidly increasing economic ties
concept of shared sovereignty and supra-national institutions with legal powers vs. steep diversity in political grounds of NEA countries	advancing social integration through labor migration, business network, and common agenda of outstanding problems

western-style democratic institutions vs. so-called “one-party” democracies prevailing in NEA	integration started from closer sectoral cooperation
economic homogeneity vs. deep gap in the level of economic development	
gradually developed European integration based on multi-stage confidence building measures, determined time deadlines, subroutine triggers, scheduled well in advance implementation, opportunity to less committed participants to backtrack or withdraw vs. market-driven integration in NEA	

Source: compiled by author.

On reflection, it can be supposed that a number of solemn factors discourage regionalism in NEA and just some lines might be regarded as containing favoring impulse. Nonetheless, addressing the EU case was not in vain, and some important lessons might be learnt from the European experience (in no specific order).

First, the constructive and imaginative ideas play a very important uniting role. Second, if the process of international cooperation (not to speak about integration) is going to be successful is greatly dependant on whether the relationship between the nations’ political and business elites is based on trust and shared interests. Third, a strong political will of politicians capable of generating ideas for integration and putting them into practice is of crucial importance. Such personalities as Schuman, Adenauer and Degasperi were in the case of the European integration.<sup>60</sup> Fourth, a broad public support provides invisible but essential backing to the unification and turn on internal impetus for deeper multidimensional integration. These are coherent observations.

The current situation of public opinion and behavior of the top-level politicians in NEA, though, is rather far from what can be characterized as the right one. More exchanges of people are required. The improvement of the public images between Japan and Korea by co-hosting the World Cup 2002 has been remarkable and, of course, other symbolic acts and events of reconciliation are greatly needed. On the contrary, visits of Japanese Prime Ministers and politicians to the Yasukuni Shrine, where over 1,000 convicted war criminals including the 14 Class-A war criminals are enshrined, did not help bring about anything, but repeatedly added grave damage to public images of Japan and the Japanese in China, Korea and other Asian countries.

Some impacts of international environment may also create favorable conditions for peace and reconciliation. After WW II, the US has strongly backed the European integration. The US’s line towards closer integration in the NEA region is not supportive (if not to say that it is impeding) as strengthened

intra-regional relations would undermine the US's influence in NEA.

## Conclusion

NEA cooperation is emerging along with vigorous momentum of regionalization in global economy. Despite its short history, NEA regionalism has already evolved through several stages. It started with initiatives connecting the nation-states' sub-regions located in geographical proximity, and then transformed into projects for regional integration within sectors commonly considered by NEA countries as "sensitive" (security, infrastructure, etc.).

A range of endogenous and exogenous factors influences the process of regionalization in NEA. The concept of NEA regionalism is being shaped in both theoretical and empirical realms. Given diversified background in history, culture, current level of economic development of the NEA countries, etc. it is naturally that regional cooperation can only be pursued in a gradual and orderly manner.

There is a number of projects on closer international cooperation in NEA, however the majority of them is just generally designed and pending further in-depth deliberations and discussions. They seem to be lacking integrity as they cover either selective segments (once again, without offering the system for their practical implementation) or involve less or bigger number of NEA countries (none of them comprises the entire region).

As history proves, leadership plays a decisive role in the process of region formation. In case of NEA, ambiguity of economic and political supremacy in the region may be considered as substantial hindrance. As can be concluded from the contemporary observations, a competition for the leading role between Japan and China is strengthening. However, the power distribution remains uneven. China, giving momentum to the whole world economy, is not recognized as a political power. At the same time, Japan, being number two in the global economy, is just a shade of the US when it comes to the issues of global politics.

The future of NEA regionalism is not explicit. Although some progress on wider integration within NEA cannot be neglected, the prospects for further development give ground for moderate optimism. The most plausible scenario for the near future is that the present model of economic collaboration between the countries will be maintained. Within a span of several years, Russia is to drastically reinforce its posture in NEA due to dire need of China, Japan, and Korea for the additional energy resources supply. It remained outside the scope of this particular study, but some previous author's works reveal, that Russia is taking

seriously this chance to be deeper incorporated with NEA economies.<sup>61</sup>

In political and geopolitical realms, a very verisimilar picture is that the member nations will sustain mollifying adversities by means of efforts within NEA community as well as through international backing (utmost and foremost concerning the DPRK issue). At the same time, in the light of recent statements of newly elected Japanese Prime Minister on the Asian policy, some progress in bilateral Japan-China and Japan-Korea relations can also be expected.

To summarize what has been said above let us refer to Rozman who believes that NEA regionalism can be achieved, but it “ [...] requires some combination of the following five conditions: 1) national strategies for modernization that give important weight to the contributions of neighboring countries, recognizing the growing need for openness and decentralization to diminish the role of borders and allow for a far-reaching division of labor; 2) national identities that accept neighboring countries as partners [...]; 3) recognition that the dominant place of the United States does not preclude an evolving balance of powers on a regional level [...]; 4) incremental progress in bilateral relations sufficient to put territorial disputes and other problems aside while expanding ties; and 5) a vision of regionalism, persuasive to elites and public opinion [...]”.<sup>62</sup>

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