

NEW DYNAMICS OF REGIONALIZATION IN EAST ASIA: EVOLVING ASEAN PLUS THREE AND CHALLENGES FOR BANGLADESH

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Introduction

In recent years the regionalization of the ASEAN Plus Three (APT) process has caused a new paradigm shift in the growth of regionalism in Southeast and East Asia. APT started to take shape in 1997 with an informal meeting between the 10 members of the Association of Southeast Asian Nations (ASEAN), namely Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam and three countries of East Asia, China, Japan, and South Korea [1]. The East Asian economic crisis in the late 1990s highlighted the limitations of the Asia Pacific Economic Cooperation (APEC) and ASEAN in serving East Asian interests. The more inclusive APT has the potential to become a dominant regional institution [2] in East Asia as well one of the World's major regional trading blocs because one of the principal attractions of such a collaborative enterprise is the economic weight and the potential independence that it might provide. The East Asian economic crisis has been detrimental to ASEAN's institutional evolution; by demonstrating its weaknesses as a potential regional economic organization, i.e. a lack firstly of resources and secondly of coordination to deal with regional economic upheavals. It also highlighted the vulnerability of the entire Southeast and East Asian region to both externally generated economic dislocation and to subsequent political intervention from international financial institutions. Because the International Monetary Fund (IMF) and Western powers played an insufficient role in handling the crisis in this region, many Asians saw significant structural problems with the world economic system and advanced a growing demand in Asia for institutions that reflect Asian interests and values [3].

As a comprehensive regional organization ASEAN provides a venue for the exchange of views and a tentative understanding with the member countries of Southeast Asia. The expansion of ASEAN to a grouping of 10, the inclusion of Myanmar and the emergence of the APT process, means that Bangladesh now stands directly at ASEAN's western door and is being drawn still closer to China's strategic periphery. It is therefore the gateway between APT and South Asian states.

There is a need for widening and deepening economic cooperation between APT and South Asian states based on mutual advantage that might, in turn, lead to a greater share of global trade. In addition, there exists a commonality of economic and security interests between Bangladesh and APT countries [4], including the expansion of trade and investment, agriculture, tourism, communications and the transfer of technology. Furthermore, Bangladesh cannot remain outside the penetrating influence of globalization. In an age of economic striving and cooperative security, sustained growth may be its most important goal. These factors indicate that Bangladesh has the geo-economic potential to extract advantage from the increased trade and interaction arising from a globalization that involves the economic powerhouses of the APT process.

The main purpose of this paper is to examine the evolving APT process as an effective and growing route to East Asian regional cooperation in the era of globalization, taking into account both theoretical and practical perspectives. It will also evaluate the significance and limitations of the APT process in the context of the role and perceptions of the major powers involved and also

focus on how the growth of APT influences neighboring South Asian countries such as Bangladesh.

Theoretical Considerations

Following the Asian economic crisis and its geopolitical ramifications, critics have viewed the record of institutions in Southeast and East Asia as proof of the realist claim that institutions matter only on the margins of international life [5]. Although regional economic cooperation has been taking place in the form of the APT process since the economic crisis of 1997, interest-based perspectives explain the origins of such Asian collaborative processes in terms of the expected benefits of cooperation pursued through the goal-oriented rational actions of states. Such explanations have been concerned with viewing the emergence of APT as a logical response to rising economic interdependence [6] and as an attempt to manage a future economic crisis in East Asia as well as to stabilize the economic situation among the APT member states.

It is useful at this point to distinguish between 'regionalization' and 'regionalism' as these terms are often employed interchangeably. In the main, regionalization is viewed as encompassing those regional processes that are the largely uncoordinated consequences of private sector-led economic integration. Regionalism, in contrast, comprises processes of regionally based cooperation and coordination efforts that are the self-consciously driven consequences of political activities [7]. This distinction provides an important point of comparison and explanation both within a particular region, and between regions in different parts of the world. For instance, 'East Asia's experience of integration differed markedly from that of Europe in that it occurred principally through a process of regionalization in which external economic forces played a major role, followed by regionalism, or formal political initiative and agreements [8]. Notwithstanding their conceptual and practical linkages this paper focuses on regionalization with regard to the evolving APT process and other regional issues concerned.

The policy goals and interests of Southeast and East Asian countries, as well as those of Bangladesh, can be understood well through the "economic realist" approach, which offers greater scope in modeling the relationship between globalization and regionalism. It depicts a more 'realistic' notion of world politics while also allowing us to integrate domestic politics into analysis in a conceptually consistent manner. The economic realist view of nation-states as independent political communities, notwithstanding their interdependent relations with other states and with non-state actors, is one that accords with much real-world dynamics. Another central argument of economic realism is that 'states seek to influence markets to their own individual advantage', making the geographic location of economic activities their leading concern [9]. This implies that governments are likely to marshal 'power' in an attempt to interfere in global markets to attain national interests in competition with other states, or in response to non-state actors such as trans-national corporations in the global system.

For smaller, less powerful states, this can occur through cooperation between similarly situated nations in much the same way that alliance formation meets the shared strategic interests of a group of states vis-à-vis other states. This particular view of agency in the international political economy concurs with classical realist thinking. Morgenthau, for instance, acknowledged that states have the potential to transform the international system 'through the workmanlike manipulation of the perennial forces that have shaped the past as they will the future' [10].

Therefore, economic realism recognizes that state actors can attempt to, and often do, manipulate inter-state politics to influence some aspect of the international political economy (IPE). While the actual success of such agendas may be limited, especially in the case of developing countries like Bangladesh, by allowing for the possibility of purposeful action, the economic realist perspective re-introduces the political into liberal frameworks of regionalism. Bangladeshi political elites, therefore, often have to engage in difficult balancing acts in their policy choices, particularly when these involve significant trade-offs between the growth and

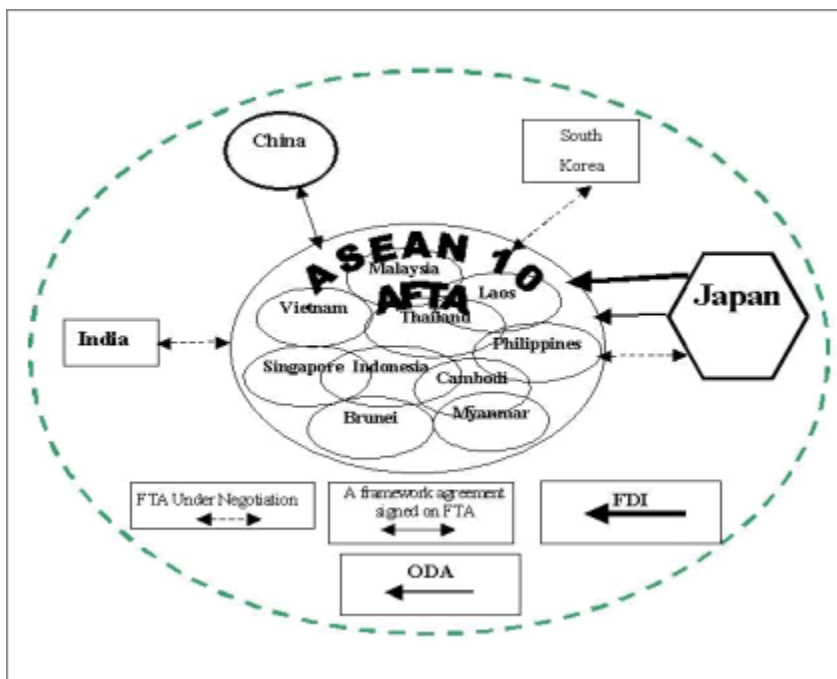
distributive imperatives, or between maximizing wealth and efficiency in society as a whole and maximizing the wealth of a segment of society.

Thus the analytical framework suggested in this paper, which combines the economic realist perspective on IPE with domestic politics, offers substantial analytical advantages over liberal perspectives in explaining regionalism as an outcome of globalization. The value of economic realism as a theoretical tool comes from its recognition that states continue to matter, and governments of these states can, and often do consciously manipulate inter-state relations to try and intervene in the IPE in line with domestic interests. Regionalism can be interpreted as one such instrument for states to pool their resources in order to influence the IPE and to promote a state's own economic interests as well [11].

APT Summits and Outcomes Regarding East Asian Regional Growth

The APT process has developed an organizational momentum that few would have predicted at the first informal summit in the late 1997 on the sidelines of an ASEAN meeting. Since then, APT Leaders' summits, as well as other associated meetings, have occurred regularly. The APT process currently involves 48 mechanisms coordinating 16 areas of cooperation such as the economic, monetary and finance, political and security, tourism, agriculture, environment and energy [12].

Figure 1: Framework of Emerging East Asian Regionalization (November, 2004)



Although China attracted considerable attention by agreeing to a Free Trade Area (FTA) with ASEAN within ten years at the APT summit of November 2002, the formation, under the auspices of APT, of an Asian community bigger than ASEAN had emerged as a major topic even earlier. At the 5th APT meeting in 2001, leaders agreed to study the possibility of an East Asian community as a single FTA market [13] similar to the European Union, a more ambitious prospect than the "ASEAN Vision 2020" of 1997 that strives only for the establishment of an ASEAN economic region [14].

The summit in October 2003 saw leaders of ASEAN 10 endorsing a plan to transform their region into a giant free trade zone encompassing 500 million people by 2020 with several urging an

even faster pace to keep up with the rest of the world [15]. In addition, Japan, Asia's current sole economic superpower, and tomorrow's giants China and India, jostled for influence in Southeast Asia as they fleshed out plans for free trade agreements with the region, which, if established, could result in a huge East Asian common market.

The APT summit of October 2003 in Bali also focused on nurturing the economic growth of a region rocked by a financial crisis, terror attacks and the SARS virus [16]. The failure of the world trade talks in Cancun highlighted the urgency of an East Asian regional trade arrangement. ASEAN's relatively small economies want more influence to compete with China while simultaneously orchestrating agreements to set up a free trade zone with it.

At the APT summit of 29 November 2004 in Vientiane, leaders of ASEAN, China, Japan and South Korea reaffirmed the role of APT as the main avenue for the eventual establishment of an East Asian Community. The three East Asian nations reiterated their support for ASEAN's role as the major driving force in East Asia cooperation [17].

The East Asian free trade agreement revolves around ASEAN and the ASEAN Free Trade Area (AFTA) as ASEAN was the main initiator of a summit immediately after the East Asian economic crisis, as illustrated in figure 1. However, China is now seen as a major driving force behind the formation of a larger economic community [18].

China-ASEAN FTA

A preparatory Framework Agreement on Comprehensive Economic Co-operation providing for an ASEAN-China Free Trade Area (ACFTA) by 2010 was signed in November 2002 at the Phnom Penh APT summit. It set out an agenda of trade liberalization and facilitation of investment in five areas of economic cooperation. The agreement listed 600 products, mostly agricultural, that were targeted for 'early harvest' [19] tariff reduction by the following year with a commitment to complete negotiations for the remaining 5400 products by June 2004 [20]. Satisfied with the progress made by the time of the Vientiane APT Summit in November 2004, the two partners agreed to expedite the implementation of the Early Harvest Programme and to provide flexibility to the new Member Countries of ASEAN [21]. ASEAN and China also signed an Agreement on Trade in Goods, an Agreement on Dispute Settlement Mechanism, as well as a Memorandum of Understanding on Transport Cooperation as part of the implementation of the framework agreement [22].

For some observers, the real significance of ACFTA lies in the simple "10 plus one" integration formula or, "one plus 10", given China's predominance. Thus, unless ASEAN can effectively transform "10 plus one" into "one plus one" through greater ASEAN coherence, it will be overwhelmed by China's rise, especially in the light of its newly established membership of the WTO [24]. Furthermore, by signing the Treaty of Amity and Cooperation, a fundamental document for regional cooperation, during the October 2003 summit in Bali, China began to consolidate its political and economic ties with ASEAN countries and to gain more leverage over them [24].

However, Japan and South Korea are still cautious about concluding a trilateral free trade agreement with China, despite the signing of a joint declaration on 7 October 2003, in which the leaders of the three nations pledged to bring about closer economic ties.

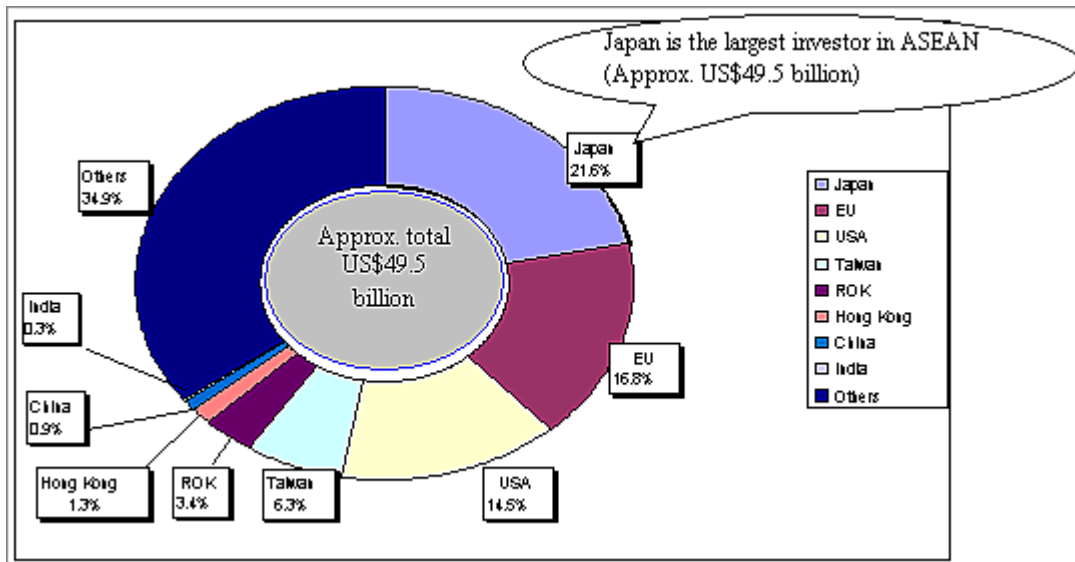
Both Japan and Korea are worried about China's future move and they both perceive that China aims to grab the initiative for economic integration in the entire Asian region, including ASEAN. However, should the three North Asian countries sign an FTA together with ASEAN, it would create one of the biggest markets in terms of economic power and population and also lead to the East Asian regional integration.

Japan on FTA with ASEAN

China's rapid growth as well as its increasing influence on regional politics in East Asia was evident to some Japanese policy makers since the end of the 1990s [25]. However, the announcement of an agreement between China and ASEAN in November 2002 on the establishment of a FTA within ten years still came as a shock [26], mainly due to Japan's awareness that it was being left behind. The eagerness to catch up with China's bold approach to ASEAN countries led to proposals such as the "Initiative for Japan-ASEAN Comprehensive Economic Partnership", "Initiative for development in East Asia" and "A community that acts together and advances together", what was called, an "Extended East Asia Community", by Prime Minister Koizumi in Singapore in January 2002 [27].

In November 2002, the Japan-ASEAN summit in Phnom Penh adopted a joint declaration stipulating that both entities would work on a framework of Comprehensive Economic Partnership by 2003 and achieve such partnership within 10 years [28]. The framework was signed into being at the APT Summit in October 2003 with an agreement to begin formal negotiations in 2005 to establish a regional free-trade area by 2012 [29]. At the APT Summit in Vientiane in November 2004, Japan welcomed the decision reached by ASEAN leaders to convene the first East Asia Summit (EAS) [30] towards the end of the year 2005.

Figure 2: Foreign Direct Investment in ASEAN by Country and Area (1995-2001)



Source: Ministry of Foreign Affairs (MOFA), Japan (2003). (Note: The ASEAN member countries are excluded).

Japan and ASEAN seek a broad-based economic partnership as Japan is the largest investor in ASEAN - approximately US \$49.5 billion. (Figure 2). Japan considers its policy to be a 'multi-level trading policy'. However, previously different identities seem to lead Japan to contradictory behavior at times, as it tries to act as a leader in the region, while trying to maintain its close political and economic relations with the United States [31]. Hence the initial reluctance of Tokyo to conclude FTAs because of the fear that it could lead to regional protectionism and criticism by Washington. Nevertheless, it has recently accepted the idea as a way to complement multilateral trade liberalization under the WTO and as a strategy to balance worldwide moves in the same direction.

Major Southeast Asian Powers

At the 10th ASEAN summit, leaders of ASEAN and South Korea signed the ASEAN-ROK Joint Declaration on a Comprehensive Cooperation Partnership while affirming that the establishment of an ASEAN-ROK Free Trade Area (AKFTA) would be mutually beneficial. In this regard, they agreed to launch the AKFTA negotiations in 2005 with a goal of having at least 80% of products zero tariff by 2009, and with consideration for special and differential treatment and additional flexibility for new ASEAN Member Countries.

Strategies to achieve economic unity in a common market vary from country to country. Japan and Singapore are in favor of the creation of FTAs in the region [32]. In contrast, Malaysia does not include the conclusion of such treaties in its concept of integration, though, like South Korea, it favors a broader approach to economic integration that would create a wider range of mutual benefits and supports. China prefers an integration scheme through the China-ASEAN Free Trade Area rather than through bilateral trade agreements. Japan has agreed on the study of a framework to promote trade and investment and to set up a study group on the conclusion of a free trade pact with ASEAN, which observers see this as a bid to compete with China.

ASEAN countries are not “passive” subjects with regard to the competition between Japan and China for predominance over East Asia and are searching for their own independent diplomacy [33] by balancing the two. Most ASEAN policy makers consider Japan to be the key to the economic revitalization their respective countries. Japan’s US\$ 4.5 trillion economy is almost five times larger than that of China. Hence, Japan is the largest aid donor to ASEAN members in the form of overseas development aid (ODA), which China also receives. In 2000, even after a decade of stagnation, Japanese firms invested US\$ 2 billion in ASEAN countries [34]. However, Japan’s reluctance to promote freer trade, especially on agricultural products, has been a point of contention.

ASEAN countries, who generally favor of the China-ASEAN FTA, argue that it could make China’s huge market accessible for exports from ASEAN countries. It would also upgrade the efficiency of various industries of ASEAN countries through competition in a larger China-ASEAN market. In addition, they welcomed China’s voluntary attitude regarding agricultural goods, and expected that it would be easier for them to have access to China’s huge market in other sectors as well.

On the other hand, skeptics of the China-ASEAN FTA are concerned that the economies of China and ASEAN would compete with, rather than complement, each other, for instance in attracting investment in the manufacturing sector [35]. They argue that manufacturers of such products as textiles, toys and television sets etc. of ASEAN countries would suffer from an inflow of cheaper Chinese goods. Opponents are also apprehensive that the Chinese government acts not only from economic motives but also from political ones; for example, China’s ambition of outmaneuvering Japan from regional leadership [36]. These misgiving about China’s influence and the China-ASEAN FTA are particularly strong in Indonesia, Malaysia and the Philippines.

India as a New Element in East Asian regionalization

One emerging and important Asian power is India, who was invited for the first time to attend a APT summit meeting in November 2002. India’s approach towards ASEAN countries is considered a new element in the East Asian regional process. New Delhi is ready to consider a free trade agreement with ASEAN. The joint study on AFTA-India linkages for the enhancement of trade and investment recommended the formation of an India-ASEAN Economic Ministers’ Meeting (AEM-India) in September 2002 [37]. Singapore’s Prime Minister Goh Chok Tong reportedly told in the APT summit meeting of November 2002 that ASEAN resembles the body of

an airplane with one wing made of East Asia and the other of China and India [38], enabling the grouping to establish the ASEAN Economic Community by 2020.

Indian and ASEAN officials recently finalized a framework agreement in Jakarta, with a FTA expected to enter into force by 2011. While the products to be included had yet to be decided on, agriculture and textiles were to be excluded pending completion of negotiation on these two critical areas by 2005. India also acceded to the Treaty of Amity and Cooperation (TAC) in Southeast Asia in the 2nd India-ASEAN Summit of October 2003. China signed the TAC at the same time. Moreover, India agreed to conclude a bilateral FTA with Singapore as a long term goal in November 2002 and signed a framework agreement for a Thai-India FTA in October 2003 [39].

Obstacles to the APT Process

While the APT process has been progressing rapidly in the last couple of years, there are a number of obstacles to the further development of East Asian regional economic cooperation that involve, among others, the political, economic, cultural and linguistic divisions among the countries of East Asia and the recent severe economic crisis. The following areas stand out for which the APT process might face problems.

Firstly, APT is dependent on the ASEAN regime through which the institutionalization of the APT framework has advanced so far. APT has not yet developed an institutional framework in itself even though East Asian countries are developing the custom of convening to discuss regional issues. For instance, APT's summits are organized, not through an independent institution, but by ASEAN's invitation to China, Japan and South Korea to attend ASEAN meetings.

Secondly, as a consequence of the Asian crisis, the open and liberal approach to foreign relations that had characterized East Asia in the 1990s has been challenged in some countries and differences in approach to economic policy within the region have emerged. Moreover, the institutional diversity of the East Asian region might also limit regional economic cooperation under the APT framework.

Thirdly, major internal problems of the key countries of this region may make it difficult for full attention to be given to issues not directly related to domestic economic welfare and political and social stability, Indonesia being a case in point. Japan has grappled with its stagnant economy and may find that regional issues will receive less priority. Thus, how much of their resources or time the APT members may devote to foreign policy issues, such as driving the APT process forward, depends on the capability of the member states to manage domestic problems.

Despite the clear evidence about both the impact that highly mobile capital flows have had in precipitating and intensifying the East Asian crisis, there has been little serious attempt to curb such initiative or establish different, especially East Asian regulatory regimes. There are also formidable technical obstacles to the currency swap arrangements, particularly given the lack of governmental capacity amongst some of Southeast Asia's less developed countries [40]. The Chiang Mai Initiative (CMI) of 2000, which was designed to promote regional financial crisis management, is notable in this regard, because while it may have had a symbolic importance, it has been of little practical implementation so far [41].

Fourthly, cooperation among APT members might be constrained by conflicting interests among the APT members. Both Japan and China are competitors and have regional leadership aspirations. In this context it is required to distinguish between the financial and `real` economies to understand the potential obstacle to the development of an encompassing regional policy position, and the inherent conflict of interest between region's wealthier and poorer states it

reveals. International economic activities are becoming footloose, stateless and geared to transnational regulatory framework [42].

Fifthly, at the level of the real economy, the distinctive structure of East Asian business and the close relations between economic and political elites makes reform more visible, and resistance to change being more pronounced and the incentives for regional cooperation to protect broadly similar regional political and economic structures carry more weight. The conclusion of intra-regional agreements that have the capacity to accommodate powerful domestic constituencies becomes easier to understand in this context. In addition, as John Ravenhill notes, preferential trade agreements may have symbolic importance that go beyond their economic worth as they help to consolidate underlying regional relations [43]. APT members have been negotiating a series of bilateral FTAs, as for instance, Singapore and Japan in January 2002. South Korea is also negotiating FTAs with other countries.

However, the fact that these trade initiatives in East Asia are happening predominantly at the bilateral level, or have been attached to existing structures like AFTA, is a major obstacle to the development of region-wide agreements of a sort that could give greater credibility to the APT process.

Sixthly, the U.S. remains a major player in this region as a member of APEC who is committed to ensuring an open global economy that is not segmented along regional lines. The U.S government's prime concern with combating international terrorism could also bring pressure to bear on such APT members as Japan and South Korea to hold back the development of East Asian regionalization. Furthermore if the U.S. considers APT as a way of allowing China to exert a greater influence in East Asia, it may decide to try to forestall any attempts to increase regional cooperation there [44]. Thus the effect of American influence in East Asia appears to vary across issue areas. While American intervention in the region's post-crisis development had the effect of accelerating the regional political and economic cooperative approach, the United States' "war on terror" has revealed deep fault-lines across the region. In such circumstances it is obvious that East Asian countries should develop a region-wide response to American actions through the APT process though it is very difficult at the moment and the prediction holds that APT will continue to be influenced by American actions.

The Problem of an Asian Monetary Union

The new enthusiasm for regional cooperation, followed by the financial crisis, sparked a number of fanciful financial proposals of which one was the idea of a common East Asian currency. Hong Kong first proposed an Asian monetary union in 1999 and subsequently suggested a common currency for Hong Kong and Singapore as a first step. ASEAN's Hanoi Plan of Action of 1998, its comprehensive statement in response to the crises, called for a study of the feasibility of an ASEAN currency. However, such an idea is clearly premature so that some of its staunchest advocates quickly retreated [45].

Thus regional monetary cooperation in East Asia is likely to be more difficult to construct than cooperation in trade. In Europe, monetary union followed decades after trade liberalization. The strict Maastricht requirements that governments have to meet to qualify for participation in the Euro indicate the extent to which monetary integration intrudes into domestic policy-making autonomy. Collaboration in monetary terms poses more of a threat to sovereignty than does trade integration.

The difficulty that the ASEAN economies have found with monetary collaboration is reflected in the APT process. One of the ironies of the recent crisis was that the seeming imperative for regional collaboration on financial issues, which ultimately would require greater use of regional currencies, was contradicted by the lesson that East Asian countries that had maintained some

forms of capital controls were best able to escape the most damaging effects of the crisis. Moreover, APT's adherence to the 'ASEAN way' of consensus and voluntarism, like ASEAN and APEC, and lingering concerns about establishing a powerful secretariat that might ultimately threaten national autonomy are also likely to make the development of an effective monetary union more difficult [46]. Yet East Asian countries under the APT process, with few exceptions such as Myanmar, have acted to increase levels of interdependence, not the reverse, despite the many obstacles within the process itself [47]. In neo-liberal and liberal terms, institutionalization reduces transaction costs, creates a sense of mutual interests and socializes parties in cooperative habits. The increased trust and cooperative habits that liberal theories expect to become entrenched through cooperation would not be expected in East Asia if concrete outcomes are important [48]. Thus the region is clearly different, though not the polar opposite in terms of institutionalization, from Europe, with a unique regional cooperation pattern that creates many obstacles to the institutionalization of the APT process in practice.

Prospects of the APT Process

Despite the obstacles discussed these countries might be able to overcome those constraints that would lead to the steady emergence of the APT as a regional cooperative arrangement. Observers contend that a process of enhanced cooperation between the ASEAN members and China, Japan and South Korea could build confidence over time and erode long-held animosity and distrust. Japan and China seem to have understood the basic need to deepen the institutionalization of APT, and although they are likely to compete fiercely, neither country wishes to stall this highly dynamic region-wide endeavor. Moreover there is an issue of reciprocity in the process. A factor that binds the members of the APT process is their remaining capacity for economic growth; with the exception of Japan, who needs the exports and resource markets of neighboring countries to fuel fresh growth. Furthermore the regional liquidity fund that is slowly evolving will give the members of APT greater autonomy in crises.

Although East Asian countries are diverse, the progress of APT lies in a number of commonalities - 'ASEAN values', common institutions, a distinctive brand of capitalism, the experience of warfare and the urge for deeper economic integration – all of which provide APT with a potential basis for regional identity and consolidation and result in a successful regional institution. The various kinds of cooperation and coordination currently occurring within the APT regional framework could grant the APT process success in becoming a dominant regional organization in East Asia.

The leaders of ASEAN and Northeast Asian countries are willing to explore the phased evolution of APT into an East Asian Summit (EAS), as well other for a as tools of enhancing cooperation in East Asia, as long as they do not undermine the strategic importance and relevance of ASEAN in the overall framework for cooperation. Therefore, EASs must be conducted through a gradual and building block approach to ensure ASEAN's capacity to ensure the whole process.

The Vientiane APT summit of November 2004 noted, among others:

- the establishment of the APT Unit in the ASEAN Secretariat and assistance of the Plus Three countries to it.
- the steady progress in ASEAN+3 cooperation, especially in monetary, financial and economic sectors, with a speedy implementation of all measures aimed at broadening and deepening East Asia cooperation encouraged.
- the need to develop the Asian Bond Market
- the need to combat emerging diseases through new mechanisms, such as the establishment of "Outbreak Response Teams".
- the establishment of an East Asia Free Trade Area (EAFTA) and the decision by APT Economic Ministers to set up a feasibility study on EAFTA.

The Leaders of the Plus Three countries supported ASEAN Leaders' decision to convene the first East Asia Summit (EAS) in Malaysia in 2005 and reaffirmed the role of APT process, with ASEAN as the major driving force, as the main vehicle for the eventual establishment of an East Asian Community.

Challenges and Options for Bangladesh

Traditionally, Bangladesh has had very close commercial and other links with most of the ASEAN member countries due to her geographic as well as strategic proximity. These contacts have been reinforced through Bangladesh's participation in the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMST-EC) [49] and Asia Cooperation Dialogue (ACD)[50] where Bangladesh has been active as a founding member.

With ASEAN's eastward expansion to include Myanmar, Bangladesh and ASEAN are no longer just maritime neighbors, but also share over 193 km of a land boundary. Bangladesh's willingness to be a dialogue partner of ASEAN and a member of the ASEAN Regional Forum (ARF) is significant in considering this region as a pivot for its strategic interests. Bangladesh's increasing defense cooperation, particularly in regard to coast guard and naval issues, with individual APT countries (including Indonesia, Malaysia and China), is the larger element of a strategic dialogue that may enable Bangladesh to participate in the regional process of East Asia on the basis of common security interests.

Thus ASEAN is emerging as an important player in Bangladesh's view of Asia and its future, especially in the construction of a security order that will be in Bangladesh's interests. The emerging APT process could provide space for Bangladesh to ensure its security interests in Asia, though not only because the view of the Asia-Pacific as a zone of increased threats, potential turbulence and great power rivalries, is gaining currency in Bangladesh. The APT is also seen as potentially sharing a range of common security concerns, including those related to issues as diverse as energy, economics and sustainable development. There is no doubt that Bangladesh finds itself as a land bridge between South Asia and Southeast Asia, with further credence and business significance added by the proposed transnational highway and rail-lines between Bangladesh and Southeast Asian countries. The Strategic location of Bangladesh provides it with a legitimate claim to play its due role for greater interaction in the Southeast- and East Asian regions.

Bangladesh's participation in ASEAN and ARF was originally proposed in 1998. However, Bangladesh's candidature was discussed neither at the Senior Officials Meeting (SOM) of the ARF of May 2004 in Jakarta nor at the 37th ASEAN Foreign Ministers' Meeting (AMM) in Jakarta in July 2004 - at which Pakistan was admitted. The last SOM, mentioned Bangladesh among other pending applications including that of Sri Lanka [51].

Bangladesh has liberalized its economy progressively over the last decade, so that there exists enormous scope for the APT states to increase trade and investment links with it. Bangladesh will have to negotiate preferential access to the APT states and should not lag behind India who has already done so at the meeting of November 2002. However, with the "Look East" policy introduced in its foreign policy agenda in 2002, Bangladesh has made a constructive step in exploring its eastern horizon, namely its Southeast and East Asian neighbors [52]. Under this policy, special emphasis is given to the expansion of trade and investment, agriculture, tourism, and communication, the transfer of technology, facilitation of multi-modal transportation links, cooperation in IT infrastructure, cultural cooperation, human resource development etc. with APT states. The 'Look East' diplomacy is aimed at eastward trade expansion to reduce Bangladesh's dependence on India: Dhaka is obviously concerned over Delhi's unwillingness to reduce Bangladesh's trade deficit, which has now crossed \$ 1 billion [53].

Another vital aspect of Bangladesh's strategy may be termed "physical connectivity" to Southeast Asia. The Mekong-Ganges Cooperation Initiative (MGCI) comprising Laos, Cambodia, Thailand, Myanmar Vietnam and India is aimed at developing close relations and better understanding among the member countries to develop transport networks, in particular the East-West Economic Corridor (EWEC)[54], and the 'Trans-Asian Highway' [55]. The latter project was first launched in 1959 under the UN Economic and Social Commission for Asia and Pacific (ESCAP) to increase regional and international cooperation between Asia and Europe via Turkey, and to establish transportation and infrastructure for socio-economic development of countries in the vicinity [56]. A total of 31 countries are associated with this project. Bangladesh has been a member of the highway project from the very beginning. The Asian Highway would link Bangladesh to 15 countries, give better access to Southeast Asia, and would ease pressure on the Chittagong Port, with immense benefit to business.

Bangladesh's foreign policy aspiration of engagement with ASEAN and East Asian states is part of a clear recognition of the strategic and economic importance of the region to its national interests. While remaining committed to the South Asian regional grouping SAARC [57], Bangladesh should look beyond it for partnership and cooperation with APT member states. What Bangladesh has failed to achieve in SAARC might be obtained by an eastward regional trade opening. Bangladesh cannot afford to not pursue a policy of seeking an engagement with ASEAN and East Asian states that might eventually lead to becoming a part of the APT process.

Conclusion

The concluding remarks focus on the trends generally visible in the regionalization of East Asia and the options for Bangladesh in the context of the evolving APT process. APT has difficulties that are not just the consequences of economic adversity, but also of political fall-out from it. However, APT has simultaneously been facing new challenges posed by the changing nature of international finance, a different form of international relations since the economic crisis. Notwithstanding an ostensible focus on economic and political goals, APT's original purpose is to forge regional economic cooperation among Southeast and East Asian Countries against any kind of future crisis.

APT can also play a subsidiary role in representing its members as a group in the economic dealings with the great powers. With forces of diversity and fragmentation greatly strengthened by ASEAN's expansion and fall-out from the economic crisis, the importance of the APT process has been well-understood by the member states. And APT still needs to promote political unity among its member states for its own benefit and also vis-à-vis outside regions. APT has to enhance its strength in dealing with a range of other countries particularly the great powers, such as the US or the EU, both bilaterally and in multilateral institutions such as the WTO, the IMF etc. APT's economic and strategic rationale, such as its swap arrangement, ASEAN-China FTAs, ASEAN-Japan Comprehensive Economic Partnership (CEP), including its inter-regional relations, namely the signing of the Treaty of peace and cooperation by China and India, have also acquired much greater importance. The logic of potential greater integration among APT countries has been reinforced by the perception by international markets of East Asia as one region. The increased foreign policy importance of economic issues, institutions such as the WTO, APEC and ILO, has also strengthened the need for cooperation among APT economic officials - extending to finance rather than just trade.

As the economic and military weight of the major Asian powers increases, especially that of China, the regional power balance in this region will acquire a more Asian character during the first half of the 21st century. Japan remains a dominant player in this region, though the United States will remain one of the key players still. Although Japan and China cooperate with ASEAN in APT and other frameworks, and both are interested in tightening economic and political ties with ASEAN countries, there is rivalry between these two major powers for pre-dominance in East Asia [58]. APT has been developing as a response to cope with the challenges of globalization

especially after the economic crisis, sometimes considered a significant consequence of the globalization process. One important desire of East Asian countries is to survive the huge web of globalization through a regional mechanism like APT. Thus, Japan has been encouraging development of East Asian regionalization with leading CMI, Asian Bond Market Initiative (ABMI) and other financial cooperation, and by proposing an East Asian Business Area, and so on.

Optimism and skepticism in ASEAN countries about China, ASEAN's strategy to tighten ties with both Japan and China for revitalizing their economies and ASEAN's intention to prevent any major powers from dominating Southeast Asia are all currently visible in the dynamics of the East Asian regional process. Moreover, ASEAN countries' positive attitudes to closer relationship with India indicate that they are searching for their partners not only in Northeast Asia but also in South Asia, which will open the door for other South Asian countries like Bangladesh to join the East Asian regional process as a future partner. Perhaps APT, and other dialogue and confidence-building processes, can ease this transition and help to blunt the sharp edges of changing regional circumstances, as well as contribute positively to the growth of East Asian regionalization.

Bangladesh's relationship with ASEAN countries has followed a mixed course and thus a formal link has not yet been established or officially institutionalized. Consequently Bangladesh's policy has found varied interpretations from scholars and policy makers. These range from the positive assessment by East Asian countries of Bangladesh through their existing bilateral relations even though those countries have not yet accepted Bangladesh as a dialogue partner of ASEAN. Bangladesh's relationship with the ASEAN or APT countries is still limited to the bilateral level. Multilateral concerns relating to Bangladesh, ASEAN, and APT have usually been expressed within a bilateral context through visits and discussions by Bangladesh and individual APT states.

Although the formal relations with the ASEAN or the APT process have not yet been developed, Bangladesh will continue pursuing its policy of engagement through its recently introduced 'Look East' policy. Bangladesh's desire to become a part of ASEAN or at best to be a dialogue partner, which could also lead it to negotiate with the APT, is aptly supported by the concept of economic realism. Since possible trans-regional relations like the one between Bangladesh and ASEAN or APT have received inadequate treatment, this paper has sought to examine the potentiality of developing such a relationship on the basis of mutual interests and as a stimulator to the ongoing India-ASEAN or India-APT relations. Bangladesh could negotiate an FTA with the ASEAN and the three East Asian Countries at the APT Summit if it were to become a partner like India on the basis of common interests; moreover, Bangladesh, as an immediate neighbor of this region, can gradually develop a link with the emerging security community in East Asia as proposed during the October 2003 APT Summit. The evolution and progress of relations between Bangladesh and ASEAN as well as APT are possible within the framework of economic realism [59].

Regionalism or regionalization presents one means to help re-direct beneficial global capital to the region in question through the carrot of the single regional market. As the previous discussion has shown, corporate actors are likely to respond positively to the presence of regional markets when deciding where to invest. In such instances, open regionalism is driven less by narrower concerns with economic efficiency and more by concerns with attracting FDI, which is a key source of economic growth for many countries of Southeast, East and South Asia.

Engagement in regional cooperation with East Asia, namely ASEAN or APT, thus would allow the Bangladeshi government to exploit functional preference of global capital for regional markets. Bangladeshi policy-makers are likely to respond with a policy of regionalization to external developments that are seen as having the potential to divert investment away from the national economy, provided they recognize the potential of regionalism in retaining or attracting production capital. They may become aware of the potential of regionalism as a magnet for FDI once they realize that foreign investors are registering strong interest in and are actually investing in

regionalist projects established elsewhere. This is the contagion explanation of regionalism highlighted by Ravenhill [60].

In keeping with the notion of economic realism, this paper shows that an individual state's national interest plays an important role even in the formation of a regional framework in East Asia - where states still do matter. Bangladesh-APT relations are dependent on the establishment of a formal link with ASEAN in which India-ASEAN relations also play a major role. Bangladesh's relations with ASEAN or APT will be determined by a mix of factors, such as Bangladesh's general foreign policy concerns, i.e. the maintenance of its autonomy and territorial integrity, its relations with India and with other major powers and its traditional allies in addition to the East Asian countries' close understanding of the significance of Bangladesh as a partner in the future.

APT might end up with more clout and in time to come, it might earn its rightful place in the regional economic and security framework or in the ongoing regional process as this regional process has the potentiality to become a dominant regional organization in East Asia. APT's importance within the region seems self-evident especially after the East Asian economic crisis of 1997 and seems more enthusiastic than that of APEC, ARF, ASEM or ASEAN itself as discussed earlier. It is at this juncture that Bangladesh has articulated its growing interest in the dynamic regionalization process of East Asia as well as expressed its desire to plug into the region-wide economic cooperation effort.

APT's place within East Asia and the importance it is accorded is evident, although it has limitations. Convergence of ideas and interests would ensure that APT could grow rapidly in the future. Consequently, there is recognition that closer understanding with ASEAN would make it possible for APT to become an integral part of the dynamic East Asian regional process in the long run. Thus APT is motivated by this larger quest. As before the economic realist approach still guides this regional dynamism in East Asia.

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Notes:

1. "China" will be used throughout the paper to refer to the People's Republic of China, and "South Korea" to the Republic of Korea.
2. For a good definition of "Institution", see Young and Katzenstein, (1989), pp. 9-31.
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8. Beeson, M., (2003)
9. Gilpin refers to this perspective as economic nationalism. See Gilpin, R. (1987), pp. 47-49.
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11. Jacobsen, J.K. (1996), p. 94.
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