

ASIA'S INSTITUTIONAL CREATION AND EVOLUTION*

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This article explores the formation and evolution of regional institutions in the Asia-Pacific and East Asia. Employing a historical institutionalist framework, this article argues that both Asia-Pacific and East Asian regional institutions were created at critical junctures, precipitated by extra-regional developments that called the legitimacy of existing institutional mechanisms into serious question. Preexisting institutions greatly shaped the institutional design of the subsequent regional institutions, revealing a path-dependent nature of institutional evolution. The timing and sequence of regional institution building is an important factor for explaining institutional change. Specifically, the analysis demonstrates that although new regional institutions with different memberships have emerged at critical junctures, the centrality of ASEAN as a source of institutional modus operandi has persisted within these institutions, notwithstanding changes in material circumstances and the recognition of inefficiencies and ineffectiveness.

Key words: APEC, ASEAN+3, East Asia Summit, historical institutionalism, regionalism

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Introduction

Until the late 1980s, the Asia-Pacific had long been known as a region without any intergovernmental regional institutions. Although some regional organizations were created in the early cold war period, the only regional organization that had continued to exist was the Association of Southeast Asian Nations (ASEAN), formed in 1967. However, after the Asia-Pacific Economic Cooperation (APEC) forum was established in 1989, many regionalist projects emerged at various levels in the Asia-Pacific region. The ASEAN launched the ASEAN Free Trade Area (AFTA) as an instrument for attracting foreign direct investment to the region. In the security domain, spurred by the uncertainty after the end of the cold war, the ASEAN Regional Forum (ARF) was created as the first regional forum to promote security dialogue and confidence-building measures among member states. In 1996, the inaugural Asia-Europe Meeting (ASEM) brought together leaders from both Asia and Europe to discuss political, economic, and social issues in order to strengthen the relationship between the two regions.

In the aftermath of the Asian financial crisis of 1997-1998, a number of regional economic arrangements and proposals emerged in order to develop a new regional financial governance mechanism. The most significant institutional development during this period was the emergence of the first East Asia-only regional forum, which started when ASEAN leaders invited their counterparts from three Northeast Asian countries, namely, China, Japan, and South Korea, to the second ASEAN informal summit in 1997. This East Asian gathering, which came to be known as the ASEAN+3 (APT), gained momentum as a site for promoting regional financial and monetary cooperation among the East Asian economies. More recently, the East Asia Summit (EAS) was inaugurated at the end of 2005, bringing together not only the APT members, but also Australia, New Zealand, and India. As result of these developments, many states in East Asia and the Asia-Pacific now belong to regional arrangements with overlapping membership.

How and why did APEC emerge when it did? Why did the locus of regionalism shift from the Asia-Pacific to East Asia in the late 1990s when a new East Asian regional institution was created in the form of APT? What has informed the institutional forms that these regional institutions have taken? In short, what explains institutional creation and evolution in the Asia-Pacific and East Asia? This article employs a historical institutionalist approach to institutions by way of explanation. The following pages begin with a discussion of the framework, and proceed with an empirical analysis.

Critical Juncture and Path Dependence

Historical institutionalism provides a useful framework for exploring how and why various regional frameworks have emerged in the Asia-Pacific and East Asia. The following three features of historical institutionalism are particularly helpful for the purpose of this study. First, historical institutionalism suggests that institutional creation or radical institutional change occurs at certain “critical junctures” in history. A critical juncture is a “period of significant change” that is precipitated by crises, external shocks, and other challenges that “call into question existing rules of the game and the repertoires of state action.”¹

Second, historical institutionalism proposes that once institutions are created (or go through a major change), they set “historical trajectories” that are largely “path dependent.”² While the notion of path dependence does not necessarily mean that institutional change does not occur, it claims that prior decisions do constrain the choice of menus for institutional designs. Path-dependent institutional evolution is therefore characterized by “incremental and gradual” developments between punctuated periods

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1. G. John Ikenberry, “Conclusion: An Institutional Approach to American Foreign Economic Policy,” *International Organization*, vol. 42, No. 1 (1988), p. 234.
 2. James Mahoney, “Path Dependence in Historical Sociology,” *Theory and Society*, vol. 29, No. 4 (2000), pp. 507-48.

of relatively rapid and profound changes. Because of the path-dependent nature of institutional choices, institutional evolution is likely to be characterized by a process of “layering” (creating new institutions by building on the preexisting ones) or “conversion” (remodeling of existing institutions for new purposes).³ Third, historical institutionalism highlights the role of timing and sequence in the analysis. It claims that the temporal ordering of events or processes has a significant effect on outcomes.⁴

Drawing on these insights of historical institutionalism, this article advances three arguments. First, both APEC and the APT were created at critical junctures precipitated by extra-regional developments that called into serious question the legitimacy of existing institutional mechanisms. Although intra-regional developments, such as rising regional economic interdependence and the bottom-up network activities of nongovernmental bodies, provided a conducive environment for institutional creation, they did not cause the creation of new institutions.

Second, preexisting institutions greatly shaped the institutional designs of the subsequent regional institutions. Specifically, the institutional form of APEC derives from the *modus operandi* that has been developed through the historical experiences of ASEAN and the accumulated ideas created through the activities of nongovernmental bodies such as PAFTAD (Pacific Trade and Development Conference), PBEC (Pacific Basin Economic Council), and PECC (Pacific Economic Cooperation Council). The creation of ASEAN+3 can be viewed as a prime example of what some historical institutionalists call institutional “layering.” Instead of creating a totally new institution (as envisioned earlier by Mohamed Mahathir when he was prime minister of Malaysia), ASEAN+3 emerged when ASEAN leaders invited their counterparts from China, Japan, and Korea as guests of the

3. Kathleen Thelen, “How Institutions Evolve: Insights from Comparative Historical Analysis,” in James Mahoney and Dietrich Rueschemeyer, eds., *Comparative Historical Analysis in the Social Sciences* (Cambridge: Cambridge University Press, 2003), pp. 225-30.

4. Paul Pierson, *Politics in Time: History, Institutions, and Social Analysis* (Princeton, N.J.: Princeton University Press, 2004), pp. 54-78.

second informal ASEAN summit in 1997. This peculiar format was conducive to the successful formation of the East Asia-only group. The creation of the EAS added another layer to the East Asian regional architecture by inviting not only the existing ASEAN+3 members, but also Australia, New Zealand, and India. The persistence of ASEAN as a model for regional institutions within the wider Asia-Pacific and East Asian regions exhibits the path-dependent nature of institutional evolution.

Third, the timing and sequence of institution building is an important factor for explaining institutional origins, creation, and evolution. The formation of APEC became possible only after the accumulation of network activities and policy discussions related to Pacific economic cooperation at the nongovernmental level. Also, as some commentators suggest, "without ASEAN, there would be no APEC."⁵ By the same token, without ASEAN, there would be no ASEAN+3 or East Asia Summit. Moreover, East Asian countries' experiences within APEC and ASEM both contributed to the subsequent formation of the APT. Therefore, I argue that the timing and sequence of institution building is an important factor shaping the conditions for institutional creation and the institutional forms that they take.

The rest of the article proceeds as follows. First, I analyze institutional origins, formation, and evolution in the Asia-Pacific and East Asia by paying special attention to the impact of the preexisting institutions on the subsequent ones. After an empirical analysis, I consider two alternative theoretical approaches to the formation of regional institutions. I conclude this article with a summary of empirical findings as well as a brief discussion of

5. I am not the first one to suggest this. However, my historical institutionalist approach stresses that APEC built upon many of the principles and procedures that emerged through the experiences of ASEAN over an extended period of time. See Yoichi Funabashi, *Asia Pacific Fusion: Japan's Role in APEC* (Washington, D.C.: Institute for International Economics, 1995), p. 52; Michael G. Plummer, "ASEAN and Institutional Nesting in the Asia-Pacific: Leading from Behind in APEC," in Vinod K. Aggarwal and Charles E. Morrison, eds., *Asia-Pacific Crossroads: Regime Creation and the Future of APEC* (New York: St. Martin's Press, 1998), p. 309.

the relevance of the historical institutionalist framework.

The Emergence and Evolution of “Asia-Pacific” Regionalism

From PAFTAD to APEC

There was a long incubation period before the first-ever Asia-Pacific intergovernmental forum finally came into being in 1989. A brief survey of Pacific economic cooperation and the non-governmental organizations that emerged prior to the formation of APEC reveals path-dependent processes of institution building.⁶ According to Hadi Soesastro, there are three major phases in the history of institution building in the Asia-Pacific.⁷ The first phase, from the early 1960s to around 1967, was characterized by mostly Japanese efforts to develop Pacific economic cooperation. The most significant idea that emerged during this period was put forward by the Japanese economist, Kiyoshi Kojima, who proposed the creation of a Pacific Free Trade Area (PAFTA) among the five advanced economies in the Pacific: Australia, Canada, Japan, New Zealand, and the United States. Meanwhile, in the business world, a group of Japanese and Australian business people took the lead in creating PBEC, which brought together business representatives from the advanced Pacific economies.

The second phase, from 1968 to 1977, witnessed the gradual dissemination of the idea of Pacific economic cooperation, although still mostly confined to academic circles.⁸ It started when the

6. There is a substantial amount of literature on the history of nongovernmental organizations in the Asia-Pacific that preceded the creation of APEC. For the most comprehensive study on this subject, see Lawrence T. Woods, *Asia-Pacific Diplomacy: Nongovernmental Organizations and International Relations* (Vancouver: UBC Press, 1993).

7. This section relies heavily on the following work: Hadi Soesastro, “Pacific Economic Cooperation: The History of an Idea,” in Ross Garnaut and Peter Drysdale, eds., *Asia Pacific Regionalism: Readings in International Economic Relations* (Pymble, Australia: Harper Educational, 1994), pp. 77-88.

8. *Ibid.*, pp. 78, 80.

PAFTAD conference was convened by Kojima. PAFTAD emerged as a series of academic conferences among economists from academia, government, and international organizations. However, the idea of Pacific economic cooperation did not gain much attention from governments in the region until the late 1970s.

The period from 1978 until 1989 constitutes the third phase of institutional evolution in the Asia Pacific, characterized by growing interest at the governmental level and the involvement of public officials in informal policy discussions. The year 1978 marked “the beginning of a new era in the development of Pacific economic cooperation ideas.”⁹ In 1978, the U.S. Senate Foreign Relations Committee commissioned two PAFTAD members, Peter Drysdale and Hugh Patrick, to examine the feasibility of a Pacific economic organization. In the same year Prime Minister Ohira Masayoshi supported the idea of cooperation among Pacific countries and established the Pacific Basin Cooperation Study Group. It is noteworthy that this group developed the concept of “open regionalism,” which later became the central principle of APEC.¹⁰

The creation of an intergovernmental organization, however, was not realized due to strong reservations among Southeast Asian countries about joining a wider Asia-Pacific economic organization. However, a meeting between Prime Minister Ohira and Australian Prime Minister Malcolm Fraser in 1979 did pave the way for the creation of PECC in 1980, which emerged as a tripartite body, bringing together academics, business representatives, and government officials who participated in the conferences in their private capacities. The PECC was subsequently held every one and a half years, retaining its unique tripartite composition. PAFTAD and PBEC also participated in PECC as institutional members. Richard A. Higgott suggests that the gradual development of dense networks of personal interactions among these groups of individuals formed nascent regional

9. *Ibid.*, p. 82.

10. John Ravenhill, *APEC and the Construction of Pacific Rim Regionalism* (Cambridge: Cambridge University Press, 2001), p. 54.

“policy networks” over time.¹¹

There is no doubt that the network activities of nongovernmental groups such as PAFTAD, PBEC, and PECC, played a significant role in laying the foundations for the subsequent creation of APEC by allowing the development of the concepts of Asia-Pacific economic cooperation and disseminating them to policy elites in the region. The incremental and gradual processes of institutional development proved effective in bringing reluctant participants to the table. In particular, PECC became an important site for participants, including government officials, to exchange viewpoints in an informal setting. In this sense, as Higgott argues, the formation of APEC represents “the culmination of longer processes of gestation in regional economic networking through organizations such as PAFTAD, PBEC, and PECC.”¹²

However, the role that these groups played in the creation of APEC was indirect. Although they were an important “agency of socialization” with respect to the idea of Pacific economic cooperation, the bottom-up activities of these groups did not cause the creation of APEC. Until the late 1980s, government officials in ASEAN countries remained skeptical of the idea of joining a wider Asia-Pacific intergovernmental forum because of their fear of domination by great powers. As argued below, it was only after a set of extra-regional challenges confronted ASEAN members that the government officials became receptive of the idea.

In short, preexisting organizations such as PAFTAD, PBEC, and PECC certainly shaped the formation of APEC in important ways. As Stuart Harris suggests, it is correct to argue that the formation of APEC “was possible *only after* a substantial and lengthy process of dialogue on issues of economic cooperation in the region at a non-governmental level.”¹³ Nonetheless, the

11. Richard A. Higgott, “Ideas, Identity, and Policy Coordination in the Asia-Pacific,” *Pacific Review*, vol. 7, No. 4 (1994), p. 373.

12. *Ibid.*, p. 367.

13. Emphasis added. Stuart Harris, “Policy Networks and Economic Cooperation: Policy Coordination in the Asia-Pacific Region,” *Pacific Review*, vol. 7, No. 4 (1994), pp. 392, 381.

existence of Asia-Pacific regionalist ideas and the bottom-up activities of the nongovernmental groups were not sufficient factors to directly induce the formation of APEC.

The Formation of APEC

The creation of APEC in 1989 proved a major watershed event in the history of institution building. What precipitated this historical critical juncture in 1989? Although the incremental and gradual process of intra-regional development in the three decades preceding the formation of APEC certainly provided a foundation on which APEC was able to build, it was ultimately a set of extra-regional challenges that prompted Asian government officials to consider a new Asia-Pacific regionalist scheme as a policy option in the late 1980s. Many Western Pacific countries were increasingly alarmed by the stalemate of the trade negotiations under GATT (the General Agreement on Tariffs and Trade), rising U.S. unilateralism, and the growth of inward-looking regionalism in Europe (as a result of the adoption of the Single European Act in 1987) and in North America (as represented by the conclusion of the U.S.-Canada Free Trade Agreement in 1988).¹⁴ Together, these extra-regional developments led to a growing sense of crisis about the prospects of the GATT-led liberal trading regime.

Against this background, in January 1989 Australian Prime Minister Robert Hawke called for creating an Asia-Pacific regional forum. It is generally agreed that Hawke's proposal led to the inaugural APEC meeting in November of that year. As Australian diplomat Geoff Brenan tellingly pointed out, "[i]t wasn't just the idea; it was the timing of the idea" that made the Hawke initiative gain steam.¹⁵ In other words, Hawke seized a window of opportunity to take the initiative at this critical juncture precipitated by a set of extra-regional developments. Australia was particularly alarmed by the prospects of being marginalized in a

14. Ravenhill, *APEC and the Construction of Pacific Rim Regionalism*, pp. 79-82.

15. Cited in Funabashi, *Asia Pacific Fusion*, p. 60.

world of emerging trading blocs from all of which Australia would be excluded.¹⁶ Moreover, Australia found the U.S. trade policy increasingly detrimental to Australian economic interests.¹⁷ The fact that the initial Hawke proposal did not include the United States apparently signaled his government's desire to create "a new source of leverage against Washington."¹⁸

Prior to the Hawke initiative, Japan's Ministry of International Trade and Industry (MITI) also had a similar but distinct proposal for creating an Asia-Pacific intergovernmental forum. MITI's call for creating an Asia-Pacific economic forum was directly triggered by the U.S. move to consider the possibility of concluding a U.S.-Japan free trade agreement in 1988.¹⁹ An internal MITI report, submitted in June 1988, called for a shift in Asia-Pacific economic and trade relations from "development through U.S. dependency" to "development through role-sharing cooperation in the region."²⁰ Two features of the MITI proposal were particularly important. First, unlike the initial Hawke proposal, the MITI proposal included the United States as a member of the proposed group. Second, it endorsed an informal and loose institutional form by stating that:

The OECD model of rigid organization is not appropriate in the Asia-Pacific, which include countries with different levels of economic development. Any arrangement for economic cooperation in the Asia-Pacific should be consistent with the existing institutions such as ASEAN and it should operate by consensus, progress gradually, and remain open to other regions.²¹

16. John Ravenhill, "Australia and APEC," in Vinod K. Aggarwal and Charles E. Morrison, eds., *Asia-Pacific Crossroads: Regime Creation and the Future of APEC* (New York: St. Martin's Press, 1998), pp. 149-50.

17. Funabashi, *Asia Pacific Fusion*, p. 63.

18. James Cotton and John Ravenhill, "Australia's 'Engagement with Asia'," in Cotton and Ravenhill, eds., *Seeking Asian Engagement: Australia in World Affairs, 1991-95* (Melbourne: Oxford University Press, 1997), p. 7.

19. Funabashi, *Asia Pacific Fusion*, p. 59.

20. MITI, *Aratanaru Ajia Taiheiyo Kyoryoku o Motomete* (Toward New Asia-Pacific Cooperation) (Tokyo: MITI, 1988).

21. *Ibid.*, p. 25. Quoted in Funabashi, *Asia Pacific Fusion*, pp. 59-60.

As Ellis S. Krauss argues, this report provided an institutional blueprint much closer to the form that APEC eventually took than the one envisioned by Australia.²²

ASEAN countries remained cautious about participating in a wider Asia-Pacific intergovernmental institution for economic cooperation. However, as in the case of Japan, a direct impetus for considering a new policy alternative, including joining an Asia-Pacific forum, came from the United States, which unofficially sounded out the ASEAN members regarding the idea of concluding an ASEAN-U.S. FTA in the late 1980s. ASEAN countries perceived this proposal as a direct threat to their economic interests.²³

It is also important to note that by the late 1980s, the level of ASEAN's resistance toward an Asia-Pacific regionalist project had been lowered to some extent for at least two reasons. In the face of the collapse of commodity prices from 1982 to 1986, ASEAN countries had implemented a number of economic liberalization policies.²⁴ Moreover, by the late 1980s, the share of manufactured products in ASEAN countries' exports increased dramatically, and ASEAN countries became more confident about their competitiveness in the world economy.²⁵ With these changes as a backdrop, in July 1989, ASEAN members finally agreed, though reluctantly, to participate in the first APEC meeting.²⁶

The inaugural APEC meeting was convened in Canberra in November 1989. ASEAN members continued to insist that APEC should be "a consultative forum on economic issues and should not lead to the adoption of mandatory directives for any partici-

22. Ellis S. Krauss, "Japan, the U.S., and the Emergence of Multilateralism in Asia," *Pacific Review*, vol. 13, No. 3 (2000), p. 477.

23. Naoko Munakata, "Has Politics Caught Up with Markets?" in Peter J. Katzenstein and Takashi Shiraishi, eds., *Beyond Japan: The Dynamics of East Asian Regionalism* (Ithaca, N.Y.: Cornell University Press, 2006), p. 141.

24. Ravenhill, *APEC and the Construction of Pacific Rim Regionalism*, pp. 66-67, 71; Richard Stubbs, "Signing on to Liberalization: AFTA and the Politics of Regional Economic Cooperation," *Pacific Review*, vol. 13, No. 2 (2000), p. 301.

25. Ravenhill, *APEC and the Construction of Pacific Rim Regionalism*, pp. 76-77.

26. Funabashi, *Asia Pacific Fusion*, p. 64.

pant to undertake or implement.”²⁷ They also asserted that APEC “should be based on the principle of equality, equity, and mutual benefit.”²⁸ In the face of ASEAN’s insistence, APEC adopted many of the principles and procedural norms that ASEAN had developed throughout its long history. For example, as in ASEAN, APEC has adopted consensus-based decision making procedures. Consequently, the modality of APEC closely followed the so-called ASEAN Way, which emphasizes, according to Amitav Acharya, “process of regional interactions and cooperation based on discreteness, informality, consensus building and non-confrontational bargaining styles which are often contrasted with the adversarial posturing, majority vote and other legalistic decision-making procedures in Western multilateral negotiations.”²⁹

Moreover, to ensure that ASEAN would not be diluted within the APEC grouping, ASEAN also received assurance that APEC meetings would be chaired by an ASEAN member at least every other meeting.³⁰ To highlight the centrality of ASEAN in the bigger APEC process, Philippine Finance Minister Jesus Estanislao described ASEAN’s vision in the form of a “concentric circles” model, which saw different levels of cooperation—subregional (i.e., ASEAN), regional (i.e., APEC), and global processes (i.e., GATT)—as a multilayered process.³¹ In short, despite ASEAN’s initial hesitation to participate in the APEC process, it had an enor-

27. ASEAN Secretariat, “The Ministerial-Level Meeting on Asia-Pacific Economic Cooperation (APEC) Canberra, 7-9 November 1989,” *ASEAN Newsletter*, vol. 36 (1989), p. 12.

28. *Ibid.*

29. Amitav Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order* (London: Routledge, 2001), p. 64. See also Acharya, “Ideas, Identity, and Institution-Building: From the ‘ASEAN Way’ to the ‘Asia-Pacific Way?’” *Pacific Review*, vol. 10, No. 3 (1997), pp. 319-46.

30. “Chairman’s Summary Statement, APEC Ministerial Meeting Canberra,” November 6-7, 1989, in APEC, *Selected APEC Documents, 1989-1994* (Singapore: APEC Secretariat, 1995), p. 47. This practice continued until the 2000 Brunei meeting. Reflecting the increased number of APEC’s membership, since then, the rotation of ASEAN chairmanship of APEC has been changed to once every three years.

31. Funabashi, *Asia Pacific Fusion*, p. 67.

mous impact on the initial institutional form that APEC adopted.

Another important feature of APEC is that it is based on the concept of “open regionalism.” As discussed earlier, the concept emerged in Japanese Prime Minister Ohira’s study group and was largely shared by the PAFTAD and PECC circles. Practically, it meant that any trade concessions reached within APEC should be applied to non-APEC members on a most favored nation (MFN) basis. Although some countries, especially the United States, insisted that liberalization measures undertaken within APEC should be applied to non-APEC members on the basis of reciprocity, a majority of APEC members supported the principle of open regionalism, because they desired to avoid the fragmentation of the global trading system into separate closed regional trading blocs. In short, rather than creating another inward-looking regional block, APEC was primarily designed to complement the wider GATT-based global trade system.

Institutional Evolution of APEC

APEC started as a consultative forum among foreign and trade ministers from member economies in 1989. While the APEC process has been regularized, APEC has avoided excessive institutionalization. For example, although a small permanent secretariat was established in Singapore in 1993, its primary tasks have been limited to providing logistical and technical services for arranging meetings, keeping records and publishing policy documents, and facilitating and coordinating APEC activities. Moreover, consistent with the ASEAN Way, APEC has repeatedly rejected a proposal for the adoption of a dispute settlement mechanism.³²

When the United States hosted the APEC in 1993, APEC began convening annual informal economic leaders’ meetings. Although the idea of holding APEC leaders’ meetings came from Australian Prime Minister Paul Keating, it was U.S. President Bill

32. Miles Kahler, “Legalization as Strategy: The Asia-Pacific Case,” *International Organization*, vol. 54, No. 3 (2000), pp. 566-67.

Clinton who took the initiative to put the idea into action. Once the U.S. government took an active interest in APEC, it attempted to transform APEC into a vehicle for trade negotiations. Supported by other countries such as Canada, Australia, and New Zealand, the United States successfully placed a trade and investment liberalization agenda at the center of APEC, although many Asian members of APEC desired APEC to remain a mechanism for economic and technical cooperation (ECOTECH). In November 1994, despite some Asian countries' reservations, APEC members adopted the Bogor Declaration, which set a target for achieving open trade for developed nations by the year 2010 and developing nations by 2020.

However, in response to the Bogor goals, Asian members of APEC reiterated that APEC decisions should remain non-legalistic and voluntary in nature. In particular, Malaysia's Mahathir expressed his reservations by stating that the Bogor target dates were "indicative dates and non-binding."³³ At APEC's 1995 leaders' meeting, Japan pressed for the principle of "concerted unilateral action." MITI's senior official described APEC's new type of liberalization process as "voluntary yet concerted liberalization on a peer pressure basis."³⁴ Reflecting the concerns of APEC's Asian members, the Osaka Action Plan of APEC in 1995 adopted the principle of "flexibility." Although the United States attempted to reinvigorate APEC's trade liberalization agenda under the Early Voluntary Sectoral Liberalization (EVSL) initiative between 1997 and 1999, this initiative was a debacle mostly due to Japan's resistance. The dispute pushed trade liberalization into the background of APEC's activities.

In summary, although APEC's Anglo-American members did succeed in shifting its focus to trade and investment liberalization between 1993 and 1997, APEC's Asian members successfully resisted the attempt by some members, especially the United States, to transform APEC into a result-oriented and rule-based trade negotiation body. APEC thus remains an informal

33. Funabashi, *Asia Pacific Fusion*, p. 92.

34. *Ibid.*, p. 96.

forum without any legally binding obligations. APEC's rejection of a radical change toward legalization signals that APEC's institutional evolution is characterized by path dependency.

The Emergence and Evolution of "East Asian" Regionalism

From EAEG to APT

As discussed below, the Asian financial crisis of 1997-1998 was the single most significant catalyst to generate demand for "East Asian" regionalism. However, there were gradual and incremental processes that paved the way for the subsequent creation of APT. One of the first attempts to create an East Asia-only grouping emerged when Prime Minister Mahathir proposed the creation of the East Asian Economic Group (EAEG) in December 1990.³⁵ As was the case with APEC, the direct catalyst for the EAEG proposal was the then stalled Uruguay Round and the rise of inward-looking regionalism in North America and Europe. However, where APEC attempted to support the global liberal trading order by promoting the principle of open regionalism, the EAEG was more directly motivated by the desire to counter the influence of the United States and Europe. Subsequently, in 1991, the name of the proposed grouping was changed to the East Asian Economic Caucus (EAEC) to downplay the image that it would serve as a trading bloc.³⁶ Modifying his earlier concept, Mahathir emphasized that the EAEC would be a loose, consultative forum for East Asian nations to discuss economic coopera-

35. The proposed members included the ASEAN countries, Japan, South Korea, China, Taiwan, Hong Kong, Cambodia, Laos, Vietnam, and Myanmar.

36. Stephen Leong, "The East Asian Economic Caucus (EAEC): 'Formalized' Regionalism Being Denied," in Bjorn Hettne, Andras Inotai, and Osvaldo Sunkel, eds., *National Perspectives on the New Regionalism in the North* (London: Macmillan, 2000), p. 60; Lim Kian Tick, "Competing Regionalism: APEC and EAEG, 1989-1990," in Andrew T. H. Tan and J. D. Kenneth Boutin, eds., *Non-Traditional Security Issues in Southeast Asia* (Singapore: Select Publishing, 2001), p. 54.

tion and that it would not be a closed trading bloc. However, the EAEC proposal did not materialize in the face of strong U.S. opposition, lack of Japanese support, and failure to gain support among other ASEAN members.

Yet, in 1992, Singapore's Senior Minister Lee Kuan Yew described the EAEC as an "idea which will not go away."³⁷ In fact, the EAEC idea was discussed at a series of ASEAN foreign and economic ministerial meetings between 1991 and 1997. In July 1994, ASEAN foreign ministers met with their counterparts from China, Korea, and Japan at the ASEAN Ministerial Meeting (AMM) held in Bangkok in the form of a so-called informal "6+3" lunch meeting to discuss the idea of EAEC. This meeting marked the first ministerial encounter among ministers from both Northeast and Southeast Asian countries, a group that resembled the membership of EAEC. Foreign ministers from the three Northeast Asian countries joined the next AMM in Brunei in 1995, and then again in Jakarta in 1996, when the ASEAN foreign ministers agreed to include those three countries in the program of all future ASEAN ministerial meetings.³⁸

During the AMM held in Jakarta in July 1996, the Malaysian foreign minister submitted a discussion article on EAEC which proposed that ASEAN members should work toward a "7+3+3" format by inviting not only China, Korea, and Japan, but also three non-ASEAN countries, namely, Cambodia, Laos, and Myanmar, to the first informal summit to be held in Jakarta in December that year.³⁹ Subsequently, ASEAN countries agreed to invite the leaders from China, Korea, and Japan to the ASEAN summit in Kuala Lumpur in 1997, which would mark the thirtieth anniversary of ASEAN.

Another important development contributed to the building of a foundation for East Asian cooperation. As Stubbs points out,

37. Bertha Henson, "ASEAN and NAFTA Must Link Up—Mr. Lee," *Straits Times*, May 15, 1992.

38. Takashi Terada, "Constructing an 'East Asian' Concept and Growing Regional Identity: From EAEC to ASEAN+3," *Pacific Review*, vol. 16, No. 2 (2003), pp. 261-62.

39. *Ibid.*, pp. 262-63.

the turning point for bringing the East Asian leaders together came in the second half of 1995, when a series of meetings were held to prepare for the ASEM summit to be held in 1996.⁴⁰ The idea of an ASEM was first proposed by Singaporean Prime Minister Goh Chok Tong during his visit to France in October 1994. By mid-1995, both ASEAN and the EU agreed to hold the ASEM. Yet, the issue of membership remained highly controversial, especially on the Asian side. When ASEAN members invited Japan, China, and South Korea to join them as Asian representatives, there was “some reluctance on the part of the Japanese government, which still feared alienating the U.S., and the Chinese government, which worried about being a target of criticism over human rights.”⁴¹ Japan had insisted on inviting Australia and New Zealand on the Asian side. While Singapore and Indonesia reportedly supported the Japanese idea, it was rejected by Malaysia on the grounds that they “do not share our Asian values.”⁴²

Consequently, at the informal “7+3” lunch meetings of foreign ministers in July 1995, agreement was reached to hold the ASEM without extending invitations to Australia and New Zealand. In March 1996, the inaugural ASEM summit was held in Bangkok, bringing together leaders from ten Asian countries and the European Union without the presence of the United States for the first time. In this sense, East Asian regional cooperation began to emerge through what Heiner Hanggi calls “regionalism through interregionalism.”⁴³

Meanwhile, by the mid-1990s, APEC had lost its momentum. Growing internal divisions emerged between APEC’s Anglo-American members, which pushed for trade and investment liberalization, and many of the Asian members, which hoped to

40. Richard Stubbs, “ASEAN Plus Three: Emerging East Asian Regionalism?” *Asian Survey*, vol. 42, No. 3 (2002), p. 422.

41. *Ibid.*, p. 442.

42. Irene Ngoo and Tan Kim Song, “Japan Wants NZ, Aussies in Asia-EU Summit,” *Straits Times*, July 25, 1995, p. 3.

43. Heiner Hanggi, “Regionalism through Interregionalism: East Asia and ASEM,” in Fu-Kuo Liu and Philippe Regnier, eds., *Regionalism in East Asia: Paradigm Shifting?* (London: RoutledgeCurzon, 2003), pp. 197-219.

keep APEC an informal consultative forum centered on promoting economic and technical cooperation. This division within APEC contributed to the formation of an informal coalition among Asian countries that collectively opposed the transformation of APEC in the direction that Western members desired. This situation provided favorable conditions for the formation of APT.

The Asian Financial Crisis and the Development of APT

Although incremental and cumulative processes toward East Asian regionalism prior to the crisis laid the foundation for initiating East Asian gatherings, the Asian financial crisis became a major turning point in shifting the locus of regionalism from the Asia-Pacific to East Asia. In particular, the crisis revealed East Asia's vulnerability to external forces, including the rapid cross-border movements of short-term capital and the influence of global financial institutions.⁴⁴ At the same time, it discredited the legitimacy of existing institutions both at the global and regional levels. As a result, the crisis became a historical critical juncture that generated an urgent demand for a new regional institution in East Asia.

The crisis transformed East Asian's thinking about how regional economic affairs should be governed in at least three ways. First, it severely undermined the credibility of the International Monetary Fund (IMF)'s role in the minds of East Asian leaders. Most East Asian observers believed that the conditionality that the IMF attached to its rescue package to the crisis-afflicted countries was too severe and even counterproductive. Therefore, East Asian leaders felt that the West-dominated IMF did not adequately protect the interests of East Asian economies.⁴⁵ As a result, the crisis resulted in the "the emergence of a desire on the part of regional policy elites to take a greater control of

44. Mark Beeson, "ASEAN Plus Three and the Rise of Reactionary Regionalism," *Contemporary Southeast Asia*, vol. 25, No. 2 (2003), pp. 251-68.

45. Naoko Munakata, *Transforming East Asia: The Evolution of Regional Economic Integration* (Washington, D.C.: Brookings Institution Press, 2006), p. 103.

financial affairs *at a regional level* than previously.”⁴⁶

Second, the crisis also called into question the effectiveness of the existing regional institutions—ASEAN and APEC. ASEAN did not have the capability to deal with a crisis of such a magnitude. APEC also had no effective means to manage the crisis.⁴⁷ It could only endorse the IMF program. East Asian leaders' perception was strengthened that APEC did not sufficiently reflect the interests of East Asian members but instead favored those of Anglo-American members, especially the United States. The East Asian leaders believed that while ASEAN was too *small* to manage the magnitude of the financial crisis, APEC was too *big* to fully represent the interests of its Asian members.⁴⁸ Consequently, in the wake of the crisis, a movement toward building a new “East Asian” regional framework gained momentum.

Third, the crisis prompted East Asian leaders to realize the importance of drafting measures to deal with the negative consequences of market activities rather than focusing only on enhancing the efficiency of economic activities. East Asian leaders started to view a regional institutional mechanism as one that should act as an intermediate regional “buffer” between individual national economies and the vagaries of global finance.⁴⁹

The APT countries' efforts to enhance regional financial stability led to the launching of the Chiang Mai Initiative (CMI) in May

46. Shaun Breslin and Richard A. Higgott, “Studying Regions: Learning from the Old, Constructing the New,” *New Political Economy*, vol. 5, No. 3 (2000), p. 337.

47. APEC's conspicuous irrelevance during the crisis is justified to some extent, because it was not intended or designed to cope with financial crises. Its focus was and remains on the liberalization and facilitation of trade and investment. Stuart Harris, “Asian Multilateral Institutions and Their Response to the Asian Economic Crisis: The Regional and Global Implications,” *Pacific Review*, vol. 13, No. 3 (2000), pp. 495-516.

48. Shaun Breslin, “Theorising East Asian Regionalism(s): New Regionalism and Asia's Future(s),” in Melissa G. Curley and Nicholas Thomas, eds., *Advancing East Asian Regionalism* (London: Routledge, 2007), pp. 40-41.

49. Alice D. Ba, “Contested Spaces: The Politics of Regional and Global Governance,” in Ba and Matthew J. Hoffmann, eds., *Contending Perspectives on Global Governance: Coherence and Contestation* (New York: Routledge-Curzon, 2005), p. 205.

2000. The CMI has been the most significant tangible achievement of the APT. The CMI consisted of a series of bilateral currency swap arrangements among APT members. An important feature of the CMI is the IMF link, which requires that only 10 percent of funds (increased to 20 percent in May 2005) could be made available unconditionally without IMF approval. Skeptics of the CMI criticized the small size of the CMI funds, but they reached \$82.5 billion by May 2007. In February 2009, APT finance ministers agreed to increase the size of the CMI to \$120 billion. Another significant development is the movement of the CMI toward multilateralization. In May 2009, APT finance ministers agreed on all the main components of the Chiang Mai Initiative Multilateralization (CMIM) and agreed to implement it before the end of 2009.⁵⁰

Although financial cooperation was originally the center of APT's focus, the scope of member countries' cooperation expanded rapidly. The "Joint Statement of East Asia Cooperation," released at the third APT summit in 1999, identified eight fields of cooperation: economic, monetary and financial, social and human resources, scientific and technical, cultural and information, development, politics and security, and transnational issues.⁵¹ Accordingly, ministerial meetings involving all these areas have been held on a regular basis.

Meanwhile, following South Korean President Kim Dae Jung's proposal, APT leaders in 1999 established an East Asia Vision Group (EAVG), which was composed of twenty-six intellectuals (two from each of the APT member countries). The EAVG was commissioned to provide a blueprint for the development of East Asian regional cooperation. The EAVG submitted its final report at the fifth APT summit in Brunei Darussalam in 2001. Again through President Kim's initiative, the East Asia Study Group (EASG), composed of government officials, was created in 2000 to assess the recommendations of the EAVG and their implications

50. ASEAN Secretariat, "The Joint Media Statement of the 12th ASEAN Plus Three Finance Ministers' Meeting," May 3, 2009, at www.aseansec.org/22536.htm.

51. ASEAN Secretariat, *ASEAN+3 Documents Series 1999-2004* (Jakarta: ASEAN Secretariat, 2005), pp. 4-5.

for East Asian cooperation. The EASG identified seventeen concrete measures as short-term goals and flagged nine others as medium- to long-term measures that required further study. Among “the most implementable concrete measures with high priority” were the formation of an East Asia Business Council, establishment of an East Asian Investment Information Network, and formation of a network of East Asian think tanks. Medium- to long-term measures that the EASG identified include the formation of an EAFTA, establishment of an East Asia Investment Area, establishment of a regional financing facility, and evolution of the APT summit into the East Asia Summit.⁵²

The East Asia Summit

The original concept of the EAS was that it would “transform” the APT into a more upgraded summit, which would allow the three Northeast Asian capitals to host the meeting. Although the EASG identified the EAS as a medium- to long-term goal, Malaysia’s and China’s announcement of their interest in hosting the EAS in 2005 and in 2007, respectively, provided the impetus for convening the EAS earlier than originally expected. Partly in response to China’s move, Japan proposed to co-host the inaugural EAS with Malaysia.

Japan also proposed to invite three additional countries—Australia, New Zealand, and India—to the EAS. This idea was supported by Singapore. On the other hand, China and Malaysia resisted the idea of expanding the participants of the EAS. In response to these different positions, in April 2005, ASEAN countries proposed that participants would have to meet three criteria: have close relations with ASEAN; be a full dialogue partner of ASEAN; and be a signatory of the ASEAN Treaty of Amity and Cooperation (TAC)—a treaty originally signed by the ASEAN countries in 1976.⁵³ Eventually, in July 2005, ASEAN foreign min-

52. Ibid.

53. Ken Jimbo, “An Emerging East Asian Community? The Political Process of Regionalism in East Asia,” in Ralph A. Cossa and Akihiko Tanaka,

isters formally agreed that the inaugural EAS would be attended not only by APT members, but also by Australia, New Zealand, and India, keeping APT to its existing thirteen members. At this meeting, they also decided that only ASEAN members would host and chair the EAS in rotation. In other words, it was agreed that ASEAN would continue to serve as an “organizational hub” for broader East Asian gatherings.⁵⁴

In December 2005, then, both the APT summit and the first EAS summit were held as separate meetings in Kuala Lumpur. At the APT summit, the leaders from the thirteen countries announced the Kuala Lumpur Declaration, in which they reiterated the “common resolve to realize an East Asian community as a long-term goal” and confirmed that the APT process would “continue to be the main vehicle in achieving that goal, with ASEAN as the driving force.”⁵⁵ The Kuala Lumpur Declaration of the EAS, on the other hand, only stated that the EAS “could play a significant role in community building in this region.”⁵⁶ However, these two declarations did not clarify the relationship between the APT and the EAS and the specific roles they could play in regional community-building efforts. Consequently, the EAS emerged as another “layer” of East Asian regional arrangements, despite its overlapping functions with the APT.

Alternative Explanations: Realism and Liberalism⁵⁷

How do existing theoretical approaches to regionalism explain institutional creation and evolution in Asia? Realists emphasize

eds., *An East Asian Community and the United States* (Washington, D.C.: Center for Strategic and International Studies, 2007), pp. 32-34.

54. T. J. Pempel, “The Race to Connect East Asia: An Unending Steeplechase,” *Asian Economic Policy Review*, vol. 1, No. 2 (2006), p. 247.

55. “Kuala Lumpur Declaration on the ASEAN Plus Three Summit, Kuala Lumpur, December 12, 2005,” at www.aseansec.org/18036.htm.

56. “Kuala Lumpur Declaration on the East Asia Summit, Kuala Lumpur, December 14, 2005,” at www.aseansec.org/18098.htm.

57. Constructivism, another major theoretical approach, is not reviewed in this article, partly because there is a considerable overlap between histori-

the shift in the distribution of power as the most important variable for explaining institutional change. To account for the emergence of APEC, realists would look at two important structural changes in the configuration of power relations in the late 1980s: the perceived shift in the balance of power as a result of the growth of regionalism in Europe and North America; and the decline of U.S. hegemony. The first realist explanation is that the formation of APEC can be accounted for as a “balancing” measure of institution building, that is, as a counteracting response by Western Pacific countries to the growth of regionalism in Europe and North America. However, realists cannot explain why APEC members adopted the concept of “open regionalism” as its central principle, despite some countries’ concerns about free-riding by non-APEC members, such as European countries. Realists would have envisioned the formation of a more exclusive and inward-looking trading bloc (as envisioned by Mahathir’s EAEG proposal) as a counterforce against regionalism in other regions. Contrary to what might be expected, however, instead of creating an inward-looking closed regional trading bloc, APEC was designed “primarily to facilitate wider global processes” by endorsing the principle of open regionalism.⁵⁸

The second realist explanation focuses on the decline of U.S. hegemony. Donald Crone, for example, explains the emergence of APEC as a result of the “leveling” between the United States and other countries in the Asia-Pacific region. Opportunities opened up for regional middle powers like Australia to pursue a region-

cal institutionalism and constructivism. However, while both emphasize the impact of ideas and norms on institutional evolution, historical institutionalism is more attentive to the issue of timing and sequence in highlighting *conjunctures*—“interaction effects between distinct causal sequences that become joined at particular points in time.” Paul Pierson and Theda Skocpol, “Historical Institutionalism in Contemporary Political Science,” in Ira Katznelson and Helen V. Milner, eds., *Political Science: The State of the Discipline* (New York: Norton, 2002), p. 702.

58. Richard A. Higgott, “The Theory and Practice of Region: The Changing Global Context,” in Bertrand Fort and Douglas Webber, eds., *Regional Integration in East Asia and Europe: Convergence or Divergence?* (Oxford: Routledge, 2006), p. 22.

alist approach by which they could constrain the hegemon's unilateral actions.⁵⁹ Indeed, the creation of APEC was in part driven by the motive of increasing political bargaining power vis-à-vis the United States. However, realist explanations are indeterminate as to when and under what conditions a coalition of governments chooses to establish an exclusive regional group to balance against external powers or to create an inclusive group to constrain the unilateral behavior of great powers within a multilateral regional framework. As opposed to the expectation of traditional realist prescriptions, which would expect countries to form an exclusive group of coalition members to balance against the United States, APEC came into being with the United States as a member, notwithstanding many countries' concerns that U.S. influence would dominate the group.

There are at least two reasons why the United States was included in APEC. First, although APEC focused on economic issues, the United States could play a key role in enforcing security and stability in the Asia-Pacific. In light of the waning of the cold war, there was increasing concern about the possibility of a gradual withdrawal of U.S. forces from the Asian region. Japan in particular desired to use the APEC initiative to keep the United States engaged in the region. Pointing to the importance of security relations between the United States and Asian countries would be consistent with realist explanations. However, there is another variable that influences the boundary of a regional institution, that is, the level of economic interdependence. This explanation fits in with the liberal perspective. Given Asian countries' strong dependence on the U.S. market, excluding the United States from the proposed grouping would not have made sense. In fact, Asian members of APEC desired to use it as a means to secure their access to the U.S. market at a time when the United States was starting to use increasingly aggressive trade practices. On the other hand, the United States also did not want to be excluded from such a group, especially at the time when East

59. Donald Crone, "Does Hegemony Matter? The Reorganization of the Pacific Political Economy," *World Politics*, vol. 45, No. 4 (1993), pp. 501-25.

Asian economies were registering rapid economic growth. Therefore, the U.S. government vehemently opposed the initial Hawke proposal (which did not include the United States as a member of his proposed group) and Mahathir's EAEG proposal.

How would realists account for the emergence of East Asian regionalism? Why was the United States excluded from the APT? Realists would explain the exclusion of the United States by pointing to East Asian countries' desire to reduce their vulnerability to extra-regional forces, including global financial forces, the United States, and the West-dominated IMF. In the wake of the Asian financial crisis, East Asian policy elites even considered the idea of creating a regional self-help mechanism. If not to enhance regional autonomy, the creation of the CMI was certainly motivated by East Asian countries' desire to reduce their vulnerability to external forces. To this extent, realist interpretations seem to explain the motives behind the East Asian countries for creating an East Asia-only grouping to increase their collective power vis-a-vis external powers. However, realist perspectives are insufficient in accounting for the establishment of CMI's clear linkage with the IMF program. In contrast to realist expectations, instead of creating a regional financial institution that would directly challenge the role of the IMF, the CMI was designed to complement it.

Another important factor that realists would look at in explaining the formation of the APT is the rise of China. However, this explanation is also insufficient for explaining ASEAN countries' decision to invite China to the ASEAN-centered regional framework, instead of forming a coalition of countries to balance against growing Chinese power. Moreover, if the rise of China was a major factor behind the creation of the APT, why wasn't the United States included within the group to counter-balance Chinese power? Certainly, the China factor was important for motivating Japan's push for inviting India, Australia, and New Zealand to the newly planned EAS. Japan even proposed to invite the United States to the EAS as an observer. However, this did not happen, not only because the United States did not show interest in participating in the EAS as an observer, but also because

the U.S. government was not a signatory to ASEAN's TAC.

Moreover, realists would have difficulty in explaining the persistence of ASEAN as an "organizational hub" for the broader East Asian groupings—the APT and the EAS—despite Northeast Asian countries' interest in hosting the East Asian meetings. In summary, realist explanations fare relatively well in explaining the initial motives in creating regional arrangements. However, they are indeterminate in predicting the institutional forms that regional groups have actually taken.

Liberal perspectives would point to the growing regional economic interdependence as a major factor for explaining the emergence of regionalism in the Asia-Pacific in the late 1980s and in East Asia in the 1990s.⁶⁰ A liberal approach would argue that rising regional economic interdependence generates growing incentives for regional countries to cooperate with one another through the creation of regional institutions. However, liberal explanations suffer from at least three shortcomings. First, intraregional trade itself does not provide any guidance as to what level of trade is sufficient for inducing the creation of an intergovernmental mechanism. Thus, this perspective is indeterminate as to the timing of institution building. Second, related to the first point, although liberal theory generally suggests that there is a positive correlation between regionalization (increasing intra-regional economic transactions through trade and investment promoted by private actors) and regionalism (state-led creation of regional institutions), a causal link between the two is not easily established. Indeed, many scholars have suggested that the regionalization process in Asia proceeded without formal regional institutional mechanisms.⁶¹

60. Peter Drysdale and Ross Garnaut, "The Pacific: An Application of a General Theory of Economic Integration," in C. Fred Bergsten and Marcus Noland, eds., *Pacific Dynamism and the International Economic System* (Washington, D.C.: Institute for International Economics, 1993), pp. 183-223; Masahiro Kawai, "East Asian Economic Regionalism: Progress and Challenges," *Journal of Asian Economics*, vol. 16, No. 1 (2005), pp. 29-55.

61. Richard Stubbs, "Asia-Pacific Regionalization and the Global Economy: A Third Form of Capitalism?" *Asian Survey*, vol. 35, No. 9 (1995), p. 786.

There is not enough evidence to support the argument that the increase in cross-border economic transactions created “bottom-up” demands among private actors that in turn called for governments to create an intergovernmental institutional mechanism to support their overseas business activities. It is not entirely clear why private firms, which had operated very successfully to promote their business activities, especially through the establishment of regional production networks, would “seek government intervention to assist in the promotion of economic collaboration.”⁶² Indeed, the “virtual integration” created by the private sector may “have lowered incentives for intergovernmental integration.”⁶³ Moreover, in contrast to liberal predictions, the APT was created at exactly the same time as a temporary downturn in the level of intraregional trade shares among the APT countries because of the economic crisis. It might be argued then that it was not the rise but the *decline* of economic interdependence that motivated East Asian leaders to enhance their economic cooperation.⁶⁴ Similarly, it can be argued that the creation of APEC was motivated by a desire to avoid a possible disruption of trans-Pacific economic interdependence in the face of the U.S. shift to unilateral and regional approaches.

Third, liberal explanations cannot adequately explain the institutional forms that Asia-Pacific and East Asian regional institutions have taken. Primarily relying on functionalist logic, liberals suggest that institutions are created because of the expected utility of institutions, such as reducing transaction costs, making commitments more credible, providing easier access to information, and reducing the chance for cheating. From the liberal perspective, institutions should be designed to maximize their efficiency in enhancing their utility. However, the adoption of the ASEAN Way in the Asia-Pacific and the East Asian institutions

62. Ravenhill, *APEC and the Construction of Pacific Rim Regionalism*, p. 25.

63. Keiichi Tsunekawa, “Why So Many Maps There? Japan and Regional Cooperation,” in T. J. Pempel, ed., *Remapping East Asia: The Construction of a Region* (Ithaca, N.Y.: Cornell University Press, 2005), p. 142.

64. John Ravenhill, “A Three Bloc World? The New East Asian Regionalism,” *International Relations of the Asia-Pacific*, vol. 2, No. 2 (2002), p. 173.

contradicts the expectations of liberals. For example, consensus-based decision making procedures often delay decisions and actions, while protecting the principle of sovereignty and ensuring lowest-denominator outcomes. APEC's adoption of "concerted unilateralism" also does not make sense from a functionalist viewpoint, because it does not ensure that APEC members comply with the decisions made within APEC. Since there are no enforcement mechanisms, APEC members are only subject to peer pressure.

In summary, neither realism nor liberalism alone can explain the timing of new regional institutional creation or institutional forms. While these approaches provide important insights, what is missing from them is an examination of the impact of preexisting institutions on the subsequent formation of regional institutions. This article has attempted to fill this gap by highlighting the sequence of regional institution building and the path-dependent nature of institutional evolution.

Conclusion

This article has explored institutional creation and evolution in the Asia-Pacific and East Asia by employing a historical institutionalist approach. It has put forward three arguments. First, while gradual and incremental changes are conducive to the formation of regional institutions, regional institutional creation in the Asia-Pacific and East Asia has been induced by external shocks at critical junctures. In the late 1980s, a set of developments, including increasingly aggressive U.S. trade policy, the rise of inward-looking regionalism in Europe and North America, and the stalemate of GATT negotiations, put the prospects of the GATT-based liberal trading system under a serious challenge. Spurred by these events, Australia's APEC initiative got off the ground. In addition, the end of the cold war offered a new window of opportunity for the development of APEC.

The Asian financial crisis offered the single most significant impetus for the development of East Asian regionalism in the

form of APT. The crisis called into serious question the legitimacy of the IMF-led global financial mechanism. It also revealed the ineffectiveness of the preexisting regional institutions, ASEAN and APEC. Consequently, East Asian leaders founded the APT as an appropriate site for enhancing regional financial cooperation.

Second, the central modality of cooperation in various regional arrangements in the Asia-Pacific and East Asia has essentially persisted, notwithstanding the changes in the distribution of material power resources or the recognition of inefficiencies and ineffectiveness. The scope of issue coverage in each institution has been expanded; priority among those issues addressed in each group has shifted over time. However, the central *modus operandi* within APEC, APT, and EAS has continued to be characterized largely by the ASEAN Way. For example, APEC has repeatedly resisted a move toward legalization. Moreover, despite the Northeast Asian countries' attempts to convene APT or EAS outside of ASEAN countries, ASEAN has remained a site of convening both APT and EAS—a practice inherited from the fact that the APT originated from the ASEAN's invitation to the Northeast Asian leaders as “guests” of the ASEAN summits. Consequently, many intergovernmental groupings with overlapping memberships—ASEAN, APT, EAS, and APEC—have exhibited “concentric circles” with ASEAN at the center.⁶⁵ The persistence of ASEAN's centrality as both an institutional model and an organizational platform represents the path dependency of institutional evolution in the Asia-Pacific and East Asia.

Third is the timing and sequence of institution-building matter. The formation of APEC became possible only after the long historical processes of policy dialogues related to Pacific economic cooperation within nongovernmental bodies, such as PAFTAD, PBEC, and PECC. As noted above, multiple forces converged in the late 1980s to allow the emergence of APEC. The formation of APEC before APT was important for at least

65. They are not strictly concentric circles. India is not a member of APEC, but participates in EAS. Also, Cambodia, Laos, and Myanmar are not members of APEC.

two reasons. As Takashi Terada suggests, “the existence of APEC, of which the United States is a member, has helped Japan to develop its further interest in ASEAN+3, since East Asian nations are able to maintain trade and investment dialogues with the United States through APEC.”⁶⁶ At the same time, somewhat ironically, East Asian countries’ dissatisfaction with the U.S. influence within APEC in pushing for trade liberalization generated the former’s interest in forging an East Asian-only grouping. The formation of ASEM in 1996 provided a great opportunity for East Asian governments to cooperate with each other. Therefore, the formation of both APEC and ASEM before APT contributed to the subsequent formation of APT. Also, there is a historically contingent factor in explaining the development of the APT. Although the decision to invite the Northeast Asian leaders was made before the onset of the Asian financial crisis, the crisis “coincided with the initial meetings of the APT.”⁶⁷ Without the crisis, the APT would not have developed in the way it did.

In conclusion, the historical institutionalist framework contributes to better understanding of institutional creation and evolution by paying special attention to the temporal dimension of institution building. Instead of treating the formation of each regional institution in isolation, the analysis of regional institutions in the Asia-Pacific and East Asia has revealed the impact of preexisting institutions on the subsequent formation of new institutions.

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66. Terada, “Constructing an “East Asian” Concept,” p. 268.

67. Stubbs, “ASEAN Plus Three: Emerging East Asian Regionalism?” p. 448.

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