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The Politics of Economic Regionalism

Explaining Regional Economic Integration in East Asia

Kevin G. Cai

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For my wife, Yanling, and my sons, Jeffrey and Justin

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List of Abbreviations

ABF	Asian Bond Fund
ABMI	Asian Bond Markets Initiative
ACC	Arab Cooperation Council
ACM	Arab Common Market
ACU	Asian Currency Unit
ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
ALADI	Latin American Association for Development and Integration
AMF	Asian Monetary Fund
AMU	Arab Maghreb Union
ANZCERTA	Australia-New Zealand Closer Economic Relations Trade Agreement
ANZUS	Australia, New Zealand, United States Security Treaty
APEC	Asia-Pacific Economic Cooperation
APO	ASEAN Plus One
APT	ASEAN Plus Three
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
AU	African Union
BSEC	Black Sea Economic Cooperation
CACM	Central American Common Market
CACO	Central Asian Cooperation Organization
CAEU	Council for Arab Economic Unity
CAN	Andean Community of Nations
CARICOM	Caribbean Community
CCASG	Council of Cooperation between Arab States of the Gulf
CEFTA	Central European Free Trade Agreement
CEPD	Council for Economic Planning and Development
CEUCA	Customs and Economic Union of Central Africa
CIS	Commonwealth of Independent States
CMEA	Council for Mutual Economic Assistance
CMI	Chiang Mai initiative
COMESA	Common Market of Eastern and Southern Africa
COREPER	Committee of Permanent Representatives

x *List of Abbreviations*

DMZ	Demilitarized Zone
DR-CAFTA	Dominican Republic-Central American Free Trade Agreement
EAC	East African Community
EAEG	East Asian Economic Grouping
EAFTA	East Asia Free Trade Area
EAS	East Asia Summit
EASG	East Asian Study Group
EAVG	East Asian Vision Group
EC	European Community
ECB	European Central Bank
ECCAS	Economic Community of Central African States
ECGLC	Economic Community of the Great Lakes Countries
ECJ	European Court of Justice
ECLA	Economic Commission for Latin America
ECOWAS	Economic Community of West African States
ECSC	European Coal and Steel Community
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Association
EMU	Economic and Monetary Union
EPU	European Payments Union
EROA	Economic Recovery in Occupied Areas
ESCB	European System of Central Banks
EU	European Union
Euratom	European Atomic Energy Community
FDI	foreign direct investment
FKI	Federation of Korean Industries
FTA	free trade agreement/free trade area
FTAA	Free Trade Association of the Americas
GATS	General Agreement on Trade in Service
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDP	gross domestic product
GNP	gross national product
G8	Group of Eight
G3	Group of Three
G20	Group of Twenty
IGOs	intergovernmental organizations
IMF	International Monetary Fund
IPNs	international production networks

ITO	International Trade Organization
LAS	League of Arab States
LDCs	least developed countries
MERCOSUR	Southern Common Market
MFN	most-favored-nation
MITI	Ministry of International Trade and Industry
MNCs	multinational corporations
MRU	Mano River Union
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NGOs	non-governmental organizations
NIEs	newly industrializing economies
NTA	New Transatlantic Agenda
OECD	Organization for Economic Cooperation and Development
OEEC	Organization for European Economic Cooperation
OPEC	Organization of Petroleum Exporting Countries
OSCE	Organization for Security and Cooperation in Europe
PAFTAD	Pacific Trade and Development Conference
PBEC	Pacific Basin Economic Council
PECC	Pacific Economic Cooperation Council
RTAs	regional trade agreements
SAARC	South Asian Association for Regional Cooperation
SACN	South American Community Nations
SACU	South African Customs Union
SADC	Southern African Development Community
SEA	Single European Act
SELA	Latin American Economic System
SPC	South Pacific Commission
TEP	Transatlantic Economic Partnership
UMA	Arab Maghreb Union
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
VERs	voluntary export restraints
WAEMU	West African Economic and Monetary Union
WTO	World Trade Organization

Preface

Economic regionalism has been a hot topic in academics for decades. However, the existing economic regionalism theories, while providing many insightful ideas, are mostly developed on the basis of the experience of European regional integration. As such, when applied to economic regionalism in many other areas, particularly in East Asia, the existing theories on the subject frequently become less relevant, increasingly out of line with the actual course of regional economic integration there. This work is therefore intended to construct an analytical framework that is capable of explaining the recurrent phenomenon of economic regionalism in the world economy in general and East Asian regional integration in particular. While the analytical framework developed in this book is seminal, it is built on the basis of many insightful thoughts of contemporary international political economy theories.

The analytical framework for economic regionalism developed in this book was originally derived from my doctoral dissertation that was completed in 1996. In the development of the analytical framework, I was greatly indebted to Professor Michael K. Hawes, my doctoral supervisor at Queen's University in Canada, for his helpful comments. I am also thankful to Professor Patrick James for his insightful comments on my analytical framework at a later time.

After years of work, this book was completed in June 2009 at University of Michigan at Ann Arbor. I would like to thank Professor Charles Shipan, the Chair of the Department of Political Science, for inviting me to this esteemed institution as a visiting scholar for summer 2009 and for providing me with office space and other logistical support, which helped me successfully to complete this project at Ann Arbor.

I would also like to thank my research assistant, Pui Ying Ngan, for her effective work.

Last but not least, I am deeply indebted to my wife, Yanling. As I frequently had to work for a long time on this book manuscript,

my wife had to take more care of the family. Hence, this book is dedicated to my wife and our two sons.

Kevin G. Cai

Ann Arbor, Michigan

June 15, 2009