

East Asian Integration under the Background of Escalating De-Globalization and Unilateralism: Challenges and Strategies

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East Asian regional integration has played a significant role in East Asia's economic development and financial stability over the past several decades. However, the ongoing escalation of de-globalization and unilateralism around the world not only seriously challenged the consensus on globalization and multilateralism, but also complicated the process of East Asian regional integration. To further deepening regional integration, we argue that East Asian countries should continue to improve regional economic integration through FTAs as well as strengthen financial integration through East Asian financial safety net establishment. In the meanwhile, reinforcing regional currency cooperation is becoming increasingly important for East Asian countries to maintain intra-regional exchange rate stability. To achieve above goals, East Asian countries need to enhance regional institution building and architectural design. What's more, East Asian countries should promote integration of their national strategies into regional long-term goal of establishing an East Asian Community (EAC). Last but not least, enhancing cooperation between the regional powers, particularly China and Japan, is crucial for further deepening East Asian regional integration. It should be noted that East Asian countries also should coordinate with other areas to seek shared interests and common understandings on globalization and multilateralism. How to create a win-win outcome over the long run truly contests East Asian leaders' political intelligence.

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1. Background

There is no doubt that globalization and multilateralism have significantly contributed to the world's international trade growth and economic development over the past several decades. However, in the aftermath of the Global Financial Crisis 2008/2009, de-globalization and unilateralism seemed to have received more supports especially in the America and the Europe, particularly after Mr. Donald Trump became the president of the US. The Trump administration has assertively employed unilateralism rather than multilateralism to address international affairs related to the US. The slogan of "America First", emphasizing American nationalism and unilateralism, has become a principle of Trump Administration's foreign policy (Lee 2017, p. 440).¹ The US's turning inwards and emerging

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¹ The world has witnessed that the US withdrew from some important international organizations and agreements such as the United Nations Human Rights Council (UNHRC), the United Nations Educational Scientific and Cultural Organization (UNESCO) and Paris Agreement.

trade protectionism have threatened the prospect of world economic growth. Consensus on globalization as a main driving force of the world economy has been challenged more severely than ever before. In the Europe, the deadlocked withdraw of the UK from the EU (the Brexit) is another sign of globalization in retreat. The Brexit will not only undermine the European regionalization which used to be regarded as a stimulating example for other areas, but also intensify skeptics to consensus on globalization. What's more, deteriorating trade dispute between the two largest economies in the world, the US and China, has added more uncertainty to the prospect of the world economy and the future of globalization.²

As an indivisible part of globalization, regionalization, or regional integration, also played a significantly important role in regional economic development and financial stability by building-up a common or shared interest in various aspects such as economy, politics, security, and so on (Zhang 2005, p. 55). In the case of East Asia, there seems to be little doubt that regional integration in term of economic and financial aspects has significantly contributed to the "East Asian miracle" (World Bank 1993). The ongoing escalation of de-globalization and unilateralism, however, may weaken momentum of East Asian regional integration. On the other hand, trade protectionism and unilateralism may also push East Asian countries to further deepen regional integration so that they can manage or minimize possible risks of economic turmoil and financial instability caused by emerging de-globalization and unilateralism. To shed some lights on how to further promote East Asian regional integration under the background of escalating de-globalization and unilateralism, this paper suggests some possible strategies for further deepening regional integration based on reviewing East Asian regional integration and analyzing changes in globalization and multilateralism.

The rest of this paper is structured as follows. In Section 2, we review previous studies on globalization and multilateralism. Process of East Asian regional integration over the past several decades is reviewed in Section 3. We then suggest some strategies for East Asian countries to further promote regional integration under the background of escalating de-globalization and unilateralism in Section 4. Section 5 concludes the paper.

2. Review of Globalization and Multilateralism

It has been for almost a half of century since notion of globalization first appeared in academic research (Scholte 2004, p. 102). Although globalization can be defined in diverse ways from different disciplines, globalization mainly refers to creating interdependence and regional integration from the view of economic development. In general, globalization is a complicated process of increasing interconnectedness and interrelatedness in many aspects of an economy (Guttal 2007, p. 523; Fugge and Martens 2014, p. 877). Some composite indicators such as the Maastricht Globalization Index (MGI)

² On August 1, 2019, the US President Trump announced to impose 10% tariffs on \$300 billion of Chinese imported goods which will go into effect on September 1, 2019. Furthermore, the US Treasury Department formally labelled China as a "currency manipulator" on August 5, 2019.

can be used to measure degree of globalization (Martens and Raza 2009, p. 4; Dreher *et al.* 2010, p. 169). Figge and Martens (2014, p. 891) find that globalization still continued but has slowed down due to the recent economic crisis. Flew (2018, p. 102) argues that the world is entering the era of “post-globalization” after globalization reached the peak in the 2010s.

Since being created as an academic topic, globalization has long been questioned and challenged, although some argue that globalization indeed has significantly promoted the world economy over the past several decades (Dreher 2006, p. 1105). One of the main debates around globalization is of its potential impact on inequality. Williamson (1996, p. 19) finds that globalization has been associated with rising inequality in rich countries, while declining inequality in poor countries in the last century. Rodrik (1998, p. 81) points out that globalization and increased integration had impacts on wage disparity and kept wages low in the US. The more recent literatures still have various conclusions about how globalization influences inequality. According to Jaumotte *et al.* (2008, p. 19), globalization in trade was associated with decreasing inequality, while globalization in financial sector was positively related to inequality. Impact of technological progress on inequality is greater than globalization. On the other hand, by examining 140 countries during the period of 1970 to 2012, Gozgor and Ranjan (2017, p. 2743) find a positive relation between globalization and inequality. Lee (2010, p. 2983) argues that once globalization reaches a turning point, declining inequality is associated with further globalization in Asian economies. Within a country, taking China as an example, it is found that globalization through both trade and financial movement has been an important factor contributing to widening regional inequality in China (Zhang and Zhang 2011, p. 64). On the contrary, Wei and Wu (2001, p. 19) argue that China’s declining urban–rural income inequality during the period 1988 to 1993 can be attributed to globalization which is measured by degree of openness in foreign trade. In addition, relationship between globalization and economic growth has also been studied relatively well: OECD countries (Chung and Lee 2010, p. 168), China (Lee *et al.* 2015, p. 31), Sub-Saharan African countries (Zahonogo 2018, p. 202).

Multilateralism as a concept is formally defined by John Ruggie, both analytically and historically. It can be defined as coordinating relations among more than two countries or regions to solve international affairs (Ruggie 1992, p. 568). Multilateralism has become one of the core principles in almost every international organization, such as the United Nations, the World Bank and the WTO, and functioned well in addressing international economic and political conflicts since the end of World War II. It is argued that multilateral regime is more resilient and reliable (Lee 2017, p. 448). Also, small countries are given a fair opportunity on the world stage, thereby influencing a large one. Nonetheless, intensified imbalance of world economy and global powers shifting from old western powers to emerging economies seriously challenged multilateralism as a universal principle. Multilateralism has slowed down rather than accelerated (Tessie 2007, p. 33). In the last decade, China’s rising and the US’s hegemony declining have complicated the current debates on multilateralism. Instead, trade protectionism and unilateralism have gained some supports, particularly from blue-collar workers

who have not benefited from globalization, even gotten worse. Multilateralism seemed to have become less attractive and encountered mounting challenges, particularly in issues about international trade. We have witnessed spread of trade protectionism and unilateralism in the US and some European countries. Also, as one of the most important multilateral international organization, the WTO is under increasing pressure to be reformed.³

Cha (2009, p. 158) proposes a term of “powerplay.” It implies that great powers attempt to create a series of tight bilateral relations with small ones in order to exercise maximum control and prevent unilateral aggression, thereby gaining benefits based on its aggregate advantages. Interestingly, we observed that “powerplay” is being applied by Trump administration in its trade negotiations with other countries. Trump administration has illustrated increasing intension to employ bilateralism rather than multilateralism in its trade relations with other countries, which could reshape the global trading system. In the case of North American Free Trade Agreement (NAFTA) renegotiation, which now is called United States–Mexico–Canada Agreement (USMCA), the US government deliberately conducted bilateral negotiations with Mexico and Canada, respectively. Multilateralism now is being challenged more seriously than ever before.

3. Review of East Asian Regional Integration

East Asian economy has increasingly integrated into the world economy mainly through participating in the global value chains (GVCs) and international trading system over the past several decades. There is a general agreement that integration of East Asian economies into the world markets substantially transformed the global economic relations (Tussie 1998, p. 33). As a major economic engine of the world and a beneficiary of globalization and multilateralism, East Asia has achieved impressive progress in regional integration by fostering multilateral economic and financial cooperation within the region and with the rest of the world (Pitakdumrongkit 2015, p. 577). As the latest evidence, the ASEAN Economic Community (AEC) was created in 2015, marking a major milestone in the process of East Asian regional integration.⁴ Compared to regionalization in the Europe, East Asian regional integration started without well-designed institution but proceeded rapidly (Capannilli 2011, p. 593). Asian Financial Crisis of 1997, which severely hit East Asian economies, has significantly accelerated the process of East Asian regional integration in both economic and financial aspects.

In the economic aspect, economic integration in East Asia was not driven by governments but mainly by market forces at the early stage by taking bottom-up direction (Cui 2017, p. 328). Free trade agreements (FTAs) proliferation in East Asia has accelerated since 2000s when more and more East Asian countries realized that FTAs are significantly important to their export-oriented economies,

³ The Trump administration has repeatedly threatened to withdraw from the WTO if it were not reformed. On July 26, 2019, the White House issued the Memorandum on Reforming Developing-Country Status in the World Trade Organization.

⁴ The AEC aims to become not only an integrated and cohesive region by 2025, but also being integrated into the global economy. The AEC as a whole now is the third largest economy in Asia and the seventh largest in the world.

although the spaghetti bowl effect (also called, noodle bowl effect) resulting in higher business and administration costs needs to be concerned (Bhagwati 1995, p. 4). By the end of 2017, 189 FTAs have been signed and 72 FTAs are under negotiation by East Asian countries.⁵ Intra-regional trade in East Asia has remarkably expanded through FTAs between the ASEAN and the three largest regional economies, i.e. China, Japan and South Korea. For instance, China has been ASEAN's the largest trading partner and the third largest external source of FDI for several years.

In the financial side, contrasting with its economic integration, East Asian financial integration was mainly triggered by Asian Financial Crisis of 1997 and followed a top-down process promoted by regional governments. In the aftermath of Asian Financial Crisis of 1997, East Asian countries took some bold and concrete steps to strengthen East Asian financial safety net establishment in order to avoid a similar crisis occurring again (Cui 2017, p. 328). As an effort to better provide emergency liquidity and financial support to member states when financial crisis hits, the Chiang Mai Initiative (CMI), which is a bilateral currency swap agreement among ASEAN+3 members, was established in May 2000 and multilateralized (CMIM) in December 2009. In the meanwhile, the Asian Bond Markets Initiative (ABMI), aiming to address exposed problem of currency and maturity mismatches by developing efficient and liquid local currency-denominated bond markets in the region, was officially launched in August 2003. What's more, the Credit Guarantee and Investment Facility (CGIF), providing guarantees on local currency-denominated bonds issued by investment grade companies, was established in 2010 with USD 700 million contributed by the Asian Development Bank (ADB) and ASEAN+3 countries, which aimed to promote financial stability and boost long-term investment in the region.⁶

In addition, East Asian countries have achieved significant progress in institution building. The ASEAN as a whole is the main driving force in the process of East Asian regional integration, particularly in institution building. The ASEAN+3 framework is the core mechanism covering various aspects such as financial policy, food security, poverty reduction, and so on. ASEAN+3 countries have established a series of mechanisms such as ASEAN+3 summit meeting, ASEAN+3 ministerial meetings, ASEAN+3 official meeting and Committee of Permanent Representatives (CPR)+3 meeting. These multi-layer ASEAN+3 mechanisms have become important multinational platforms for regional countries to discuss regional and global issues. In addition, the ASEAN+3 Macroeconomic Research Office (AMRO) was established in Singapore in April 2014 with an aim of ensuring regional macroeconomic and financial stability. Although it is still far from transforming the AMRO into the Asian Monetary Fund (AMF), East Asian countries has illustrated their efforts to have a regional financial institution like the IMF in the world (Kawai 2015, p. 28).

⁵ See: Asia Regional Integration Center of Asian Development Bank.

⁶ The ASEAN+3 framework includes ten ASEAN countries, as well as China, Japan and South Korea.

4. Strategies for Deeping East Asian Regional Integration under the Background of Escalating De-globalization and Unilateralism

The process of East Asian regional integration is being impacted substantially by the ongoing escalation of de-globalization and unilateralism, which indeed reflected a fundamental geopolitical and geo-economic shift of the postwar era, in particular, China and other emerging economies' rising. In the meanwhile, economic development disparity and great diversity across the region are still barriers for further deepening regional integration in East Asia. Nonetheless, the recent emerging de-globalization and unilateralism can be viewed as an opportunity rather than only an obstacle for East Asian regional integration. It is because that both East Asian regional powers and followers have more incentive to promote regionalization. The regional powers such as China and Japan are both concerning possible negative impacts of trade protectionism and unilateralism to their export industries. On the other hand, some small and less developed economies in the region are facing increasing risk of financial market volatility and economic downturn. The ongoing escalating de-globalization and unilateralism clearly demonstrates that East Asian countries need to further deepen regional integration in order to cushion possible impact of escalating de-globalization and unilateralism on regional economy. To do so, there are some strategies which East Asian countries may consider to implement.

4.1 Further improving regional economic integration through FTAs

The FTAs as a trade instrument has played a significant role in the process of East Asian economic development (Urata 2018, p. 61). However, Trump administration's trade protectionism and unilateralism have substantially weakened effectiveness of FTAs to the world economy including East Asian economy. In addition to withdrawing from the Trans-Pacific Partnership (TPP) which was deemed as a key strategic tool to contain China by Obama administration and Japanese government, Trump administration is attempting to renegotiate the South Korea-US FTA (KORUS FTA) with South Korean government like NAFTA renegotiation. What's more, ongoing escalation of trade war between the US and China may have a meaningful impact on not only the prospect of Chinese economy, but also other East Asian economies.⁷ The recent trade dispute between Japan and South Korea reminds us that it is dangerous to use trade policy as a weapon to against each other, in particular when East Asia as a whole is facing potential impacts from trade war between the US and China.⁸ Although trade protectionism and unilateralism are escalating across the world, many countries and regions still insist free trade and multilateralism. As new evidence, the EU-Mercosul FTA was announced on July 1, 2019, during the G20 Osaka summit, indicating that consensus on free trade and multilateralism still

⁷ In addition to negative affect on the American and Chinese economy, potential impact of the US-China trade war on the global value chain and global trading system could be enormous in the long run, although some countries such as Vietnam may benefit from the trade war in the short run because of trade diversion and investment relocation (See Yu and Zhang 2019, p. 172; Pangestu 2019, p. 225).

⁸ Recently, trade friction between Japan and South Korea has been even deteriorating when Japan imposed new restrictions on exports of some high-tech resource materials to South Korea in July 2019. On September 2, 2019, Japan removed South Korea from list of trusted trading partners (whitelist), which will be in effect on August 28, 2019. Undoubtedly, South Korea's possible retaliation on Japan would escalate the tension between two countries.

remains in the world.⁹

Economic turbulence sometimes polarizes global trade policies (Solis 2011, p. 20). Given increasing uncertainty of the world economy, the ongoing trade disputes across the world may be prolonged and spread, underlying the importance of bilateral and plurilateral FTAs for the world economy. As to East Asian economies, further deepening regional economic integration by regional FTAs may be an optimal strategy under the current global environment. The ASEAN as the regional hub has played a key role in East Asian economic integration over the past several decades. The ASEAN as a whole should continue to work with other regional economies such as China, Japan and South Korea to further promote regional economic integration. Japan used to proactively advocate and participate in FTAs proliferation in East Asia. Along with China's rising, however, Japan's leadership and influence in East Asian area has been seriously challenged. As a defensive measure, Japan took a leadership to establish the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2018, the successor to the TPP, although Trump administration withdrew from the TPP. China has actively participated in East Asia's FTAs expansion, in particular the Regional Comprehensive Economic Partnership (RCEP). China views the RCEP under ASEAN+6 framework as an strategic instrument to encounter US and Japan-led TPP and Japan-led CPTPP as well as advance its influence in East Asia. It is important for regional powers to consolidate various FTAs into a regional FTA such as the RCEP so as to reduce spaghetti bowl effect (Kawai and Wignaraja 2009b, p. 130). In addition to the RCEP, which is expected to be concluded by the end of 2019, trilateral FTA between China, Japan and South Korea (CJK FTA) has a great potential to deepen East Asian economic integration (Cui 2013b, p. 76). What's more, necessity and feasibility of WTO reform has been extensively discussed, although there are great different opinions between developed and developing countries. East Asian countries should enhance their policy cooperation and consolidation in WTO reform.

4.2 Strengthening financial integration through East Asian financial safety net establishment

East Asian financial safety net was initially established in the wake of Asian Financial Crisis of 1997. Currently, the CMIM and the ABMI are the key institutions of East Asian financial safety net. Compared to other areas, the impact of Global Financial Crisis of 2008/2009 on East Asian economies was not disruptive because of financial safety net established by East Asian countries. However, this crisis still exposed some constructive and institutional flaws of the CMIM (Grimes 2011, p. 153). The CMIM has so far not been used mainly because of IMF conditionality requirement. For instance, South Korea obtained liquidity support by signing a currency swap agreement with the US Fed rather than applying for the CMIM rescuing during the period of crisis (Kawai 2015, p. 7). In addition, Singapore also signed a new swap agreement with the US during the same period. It highlighted that this regional liquidity arrangement in East Asia actually is not flexible and prompts for member states to confront financial crisis, although some argue that linking with the IMF conditionality can reduce the

⁹ Mercosur, which encompasses five South American countries: Argentina, Brazil, Paraguay, Uruguay and Venezuela, was established in 1991.

risk of moral hazard (Grims 2015, p. 157). Therefore, regional financial arrangements like the CMIM should establish an effective cooperation with the IMF in the short run. Over the long run, however, the CMIM is suggested to be decoupled with the IMF by upgrading its own capacity (Kawai 2015, p. 28). What's more, although significant progress has been made in local currency-denominated bond markets establishment through the ABMI by East Asian countries, compared to bond markets in developed countries, East Asian bond markets are still immature in term of market depth, liquidity and efficiency. Therefore, East Asian countries should continue to improve efficiency and effectiveness of ABMI such as broadening investor base, deepening secondary markets, and so on (Park 2017, p. 2843).

4.3 Reinforcing regional currency cooperation

Regional currency cooperation has become increasingly important for East Asian countries under the current global atmosphere. In addition to trade dispute with other countries, Trump administration also attempted to use exchange rate policy as an instrument to protect the US's exports. Recently, President Trump criticized that the European Central Bank (ECB) has manipulated its currency to gain from unfair trade. In May 2019, the US Department of Commerce issued a notice of proposed rulemaking to impose countervailing duty (CVD) on countries "that act to undervalue their currency relative to the dollar."¹⁰ Applying exchange rate policy as a weapon would intensify the current trade disputes with other countries including East Asian countries, in particular China. East Asia countries, which are still mostly export-oriented economies, are vulnerable to exchange rate volatility and currency appreciation. Each of East Asian countries now has very limited capacity to employ exchange rate policy to maintain or promote their export competitiveness. Nonetheless, East Asian countries can coordinate their monetary policies to keep their intra-regional exchange rates relatively stable. Until now, little progress in exchange rate policy coordination has been achieved although it has been discussed extensively at the regional level (Cui 2017, p. 70). Against a backdrop of exchange rate policy becoming more sensitive, exchange rate policy coordination among East Asian countries is becoming increasingly important. The Asian Currency Unit (ACU), as a benchmark for monitoring divergence of East Asian currencies, can be a tool for East Asian countries to enhance regional currency cooperation, although it is still in the exploratory phase. The recent experience of the euro crisis of 2009 may provide lessons for East Asian countries about challenges involved in the process of ACU creation. How to reinforce fiscal discipline and reduce disparity among member states are crucial to be considered by East Asian countries.

In addition, China is committed to promoting RMB internationalization and has achieved remarkable progress (Cui 2013a, p. 68). The Japanese yen has been internationalized since 1980s, although it is widely believed that Japan failed in doing it (Takagi 2009, p. 10). In East Asian area, only the yen now can be regarded as a regional currency, which does not fully match East Asia's status in the global

¹⁰ See: <https://www.commerce.gov/news/press-releases/2019/05/department-commerce-amends-countervailing-duty-process>

economic and trading system (Cui 2017, p. 318). The RMB has exhibited a great potential to become a regional currency in decade, if not an international currency. Currency internationalization depends on not only domestic economic and political determinants, but also foreign countries' reaction to an emerging international currency (Chey 2019, p. 522). Therefore, currency cooperation in currency internationalization between Chinese RMB and Japanese yen can not only promote RMB and yen internationalization, but also deepen East Asian currency cooperation.

4.4 Enhancing regional institution building and architectural design

Institution building is another critical task for East Asian countries to deepen regional integration. Effective and inclusive institutions are essential to pushing forward regional integration and help to manage economic turmoil and financial instability caused by the recent trade protectionism and unilateralism. One of implications of European sovereign debt crisis and following euro crisis of 2008 for East Asian countries is that regional integration will never be a smooth process. Surveillance and enforcement are significantly important for regional integration even though institution creation seems perfect. Although institution building has been made remarkable progress such as the CMIM and the ABMI, East Asian countries should further improve its level of institutionalization in order to increase regional common or shared interests. Therefore, strong political commitment and extensive grassroots participation are needed (Capannelli 2011, p. 615).

The key of institution building for East Asia is enhancing the existing institution's effectiveness and capacity to improve institutional performance. Taking the CMIM as an example, improving surveillance mechanism is important and necessary for avoiding moral hazard in the CMIM enforcement (Kuroda and Kawai 2003, p. 20). A key lesson learnt from the European sovereign debt crisis of 2008 was the failure of surveillance and enforcement mechanism (Grimes 2015, p. 152). East Asian countries need an independent and credible regional institution to provide regional surveillance and strengthen fiscal discipline. Together with the CMIM, the AMRO, which now is a surveillance unit, is suggested to be transformed into the Asian Monetary Fund (AMF) which could play roles as a regional IMF (Kawai 2015, p. 28). The AMF also is expected to provide technical support and policy advice to member states to enhance macroeconomic policy cooperation. But how should the future AMF supplement surveillance function which now is being offered by the IMF in the region needs to be extensively discussed. Furthermore, emerging trade protectionism and unilateralism highlighted the necessity of including more countries into the current regional framework such as ASEAN+6 framework (Kawai and Wignaraja 2009a, p. 23).¹¹

4.5 Improving coordination of national strategies of East Asian countries

East Asian countries have proposed various national or regional strategies such as China's Belt and Road Initiative (BRI), Japan's Free and Open Indo-Pacific Strategy (FOIPS) and Expanded Partnership for Quality Infrastructure (EPQI), South Korea's New Northern Policy (NOP) and New Southern

¹¹ ASEAN+6 framework includes ASEAN+3 countries as well as India, Australia, New Zealand.

Policy (NSP), as well as ASEAN's long-term goal of establishing an East Asian Community (EAC).¹² Among them, the BRI, which is widely regarded as a strategic tool to reshape the world economic and political order by the existing powers and to boost regional influence by its neighboring countries, has attracted lively debates and discussions. Some view the BRI as a natural consequence of the global economic power evolution. China could take a leading role in restructuring the existing global economic governance by using its abundant economic power and increasing political influence. The rest of the world would benefit from China's participation through its mutually-beneficial competition and institutional innovation. On the other hand, skeptics and critics argue that the BRI would undermine the influence of existing international institutions such as the World Bank and the ADB, which have been functioning well in the world economic and financial development over the past several decades. Additionally, China could use the BRI as a platform and instrument to advance only its own national interest.

As the second largest economy and the largest trading state in the world, China should think and perform as a leader rather than an underdeveloped follower like before (Zhao 2019, p. 10). The BRI should be employed as a multilateral platform to deepen regional integration and globalization. In addition, China should coordinate the Asian Infrastructure Investment Bank (AIIB) with the ADB which led by Japan rather than compete with it. In the meanwhile, other regional economies should also incorporate their national strategies with East Asian regional long-run goals. All these East Asian national strategies should share and comply with international norms and laws when regional countries pursue their national interests. These national strategies should not be exclusive but work as regional institutions for expanding regional cooperation among East Asian countries, thereby deepening regional integration.

4.6 Enhancing cooperation between China and Japan

As exposed in the recent financial crises, no country is immune to crisis and policy coordination is needed so as to encounter economic turmoil and financial instability. As the two largest economies and prominent leaders in East Asia, China and Japan have particularly significant responsibilities to push forward regional integration. Due to historical conflicts, political distrust and territorial dispute, however, two countries pursued their own interest rather than East Asia's common interest in the process of regional integration. China's rising has weakened Japan's interest in cooperation with it in regionalization (Rathus 2011, p. 2). Japan used to take a leadership in promoting regional integration particularly during and after the Asian Financial Crisis of 1997. Along with increasing economic influence in the region and the world, China has exhibited increasing ambition in taking leadership in regional issues. It seems that each of two countries regards another as a strategic rival rather than a partner. However, cooperation and reconciliation between France and Germany in the process of European regional integration may be worth studying for China and Japan to deal their bilateral rela-

¹² The Belt and Road Initiative, which is inspired by the ancient spirit of the Silk Road, consists of the Silk Road Economic Belt and the 21st-century Maritime Silk Road.

tion (Hatoyama 2009, p. 422; Krapohl 2015, p. 174). Regional powers such as China and Japan can work together to provide more public goods for the region and the rest of the world.

From a regional view, particularly given the fact of escalating de-globalization and unilateralism, strengthening bilateral cooperation between China and Japan has been becoming increasingly important for East Asian regional integration. Recently, it seems that Trump administration's trade protectionism and unilateralism have pushed forward cooperation between China and Japan.¹³ Two countries should pursue a balance between competition and cooperation. In fact, in addition to competition in some areas, China and Japan also have many common and shared interests in some regional and global issues, such as East Asian financial safety net establishment, climate change talks, global economic governance reform, and so on. Two countries should enhance their cooperation in some multilateral international institutions and platforms such as the G20, the WTO, the World Bank, the IMF, and so on, to improve East Asia's influence on the world stage. Also, it is equally important for two countries to make balance between their bilateral relation and their relations with the US.

5. Concluding Remarks

Globalization has been regarded as a key driving force for economic growth of the world, although some argue that globalization creates uneven benefits between underdeveloped and developed countries, and winners and losers within a country. In the meanwhile, multilateralism has become a core principle in addressing international affairs. Recently, however, uncertainty of global economy and power shifting from the West to emerging economies generated increasing skeptics to globalization and multilateralism. De-globalization and unilateralism have received more supports particularly in the America and the Europe. In East Asia, regional integration has played a significant role in East Asia's economic development and financial stability over the past several decades. However, the ongoing escalation of de-globalization and unilateralism around the world not only seriously challenged the consensus on globalization and multilateralism, but also complicated the process of East Asian regional integration.

In this paper, we attempt to come up with some strategies for East Asian countries to further deepen regional integration. We argue that East Asian countries should continue to improve regional economic integration through FTAs as well as strengthen financial integration through East Asian financial safety net establishment. In the meanwhile, reinforcing regional currency cooperation is becoming increasingly important for East Asian countries to maintain intra-regional exchange rate stability. To achieve above goals, East Asian countries need to enhance regional institution building and architectural design. What's more, East Asian countries should promote integration of their national strategies into regional long-term goal of establishing an East Asian Community (EAC). Last but not least, enhancing cooperation between the regional powers, particularly China and Japan, is

¹³ China and Japan restarted strategic dialogue after seven-year suspension in Japan on August 10, 2019.

crucial for further deepening East Asian regional integration. It should be also noted that in no way did East Asian countries alone can prevent de-globalization and bilateralism expansion. Rather, East Asian countries should also coordinate with other areas to seek shared interests and common understandings on globalization and multilateralism. How to create a win-win outcome over the long run truly contests East Asian leaders' political intelligence.

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