



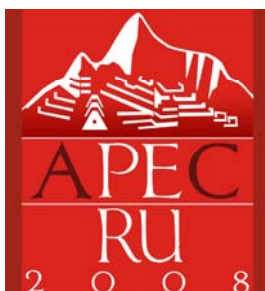
**Asia-Pacific  
Economic Cooperation**

---

**2008/ASCC/013**

## **Accommodating Multiple Regional Configurations in the Design of Institutional Architecture in the Asia Pacific**

Purpose: Information  
Submitted by: Australia



**APEC Study Centres Consortium Conference  
Piura, Peru  
19-21 June 2008**



**APEC Peru 2008**

**ASCC Meeting**

*June 19-21, 2008 – Piura and Tumbes, Peru*

**Session 5:**

**Regional Institutional Architecture**

*Accommodating Multiple Regional Configurations in the Design of  
Institutional Architecture in the Asia Pacific*

**John McKay**

Australian APEC Study Centre  
Monash University

Contacts:

Phone: (+61-3) 9866 8009  
Mobile: (+61-4) 00 377 743  
[john@apec.org.au](mailto:john@apec.org.au)

## **ABSTRACT**

The Asia Pacific region is undergoing complex and multifaceted processes of regionalisation, but the nature and outcomes of these fields of forces varies significantly depending on the area of focus. The most obvious processes involve the machinations of nation states, leading to the creation of “official” forms of regional configuration. But even here, outcomes are defined by the areas of government activity that are at the centre of the exercise. Most notably, the regionalisation that is emerging based on economic and trade concerns at the government level is often quite different from that which is driven by strategic and security imperatives. Perhaps even more divergent is the regional structure that is emerging based on company level interactions and linkages, most notably through the creation of international commodity chains and production networks leading to the construction of discrete industrial clusters. These are vital in the transfer of capital and technology as well as of goods and component parts. Still other types of regions are emerging based on ethnic and cultural linkages of various kinds. So far in the design of an appropriate regional architecture the imperatives of the “official” forms of configurations have been predominant, but even if we accept this as inevitable there are questions about whether we need quite separate architectures for trade and economic purposes as against security arrangements. So far in the Asia Pacific many people have been happy to live with the restrictions imposed on the fields of activity covered by APEC as against the ASEAN regional forum, for example. But is this an optimal arrangement, given that organisations such as ASEAN are rapidly becoming much more multifunctional? If we then attempt to build in the kinds of configurations that are emerging at the production network and cultural levels things become even more difficult. These considerations also have implications for the way in which we view the choices that need to be made about the geographical scope of the broader region we are looking at. What factors lead us to think favourably about an architecture that includes the whole of the Asia Pacific region as against separate arrangements on the two sides of the Pacific?

### **Introduction**

At the last ASC meeting in Melbourne I presented a paper a paper entitled “APEC and the Construction of an Asia-Pacific Community: Just a Vain Hope?” (since published as McKay, 2007). I canvassed some arguments in favour of trying to create an Asia Pacific community, and while fully recognising the difficulties and obstacle involved asked what APEC might do to turn such an idea into a reality. I also asked whether the creation of an Asian community was also feasible, and if so whether this would act as a building block for a wider Asia Pacific grouping or would be a competitor. My major points and conclusions were as follows:

- In all of the key areas of APEC's activities, such as trade and investment and human security, a more comprehensive and multilateral approach to the solution of some key regional problems has many real advantages.
- Progress in these areas would be considerably enhanced in a climate of mutual trust and co-operation that would be engendered by the gradual process of community building.
- Within Asia there has been considerable progress in creating such a feeling of community. Common experiences of dealing with the West and with more recent periods of rapid economic growth have engendered more of a sense of mutual purpose – the process that has become known as the “Asianisation of Asia” (Funabashi, 1993) has had some clear results. The progress in building up the ASEAN Plus Three framework is one symptom of this.
- The emergence of a distinct “New Security Agenda” has given still more impetus to the imperative of community building, especially given the palpable weakness of existing organisations designed to deal with security issues, notable the ASEAN Regional Forum. Some key Asian groups such as the East Asian Vision Group have already spelled out the logic of such a proposition.
- In all key areas such as trade, investment and security, it would be essential to develop clearer understandings with the United States: indeed it would be impossible to deal with many key issues without negotiating with Washington, hence the arguments in favour of a community building approach in Asia apply with even greater force at the Asia Pacific level.
- It is not necessary to see the ideas of an Asian community and an Asia Pacific equivalent as necessarily competitive or mutually exclusive. Closer ties in Asia, and the working out of a common Asia position on some key issues might be seen as the first step towards a wider community.

In this paper I want to take these ideas a stage further and try to develop some of the arguments, especially in the light of some of the developments in the last year or so. One important initiative, which has taken place very recently, is the floating of an ambitious proposal by our own Prime Minister Kevin Rudd (2008), but there have been other important developments in various parts of the region. It certainly appears that the idea of an Asian community has gathered a good deal of support, and we now have push for an Asia Pacific community. But still some significant problems remain. One that I want to look at in some detail is the question of the complex and very different configurations that exist at various levels within the region. The most obvious regionalisation processes involve the machinations of nation states, leading to the creation of “official” forms of regional configuration. But even here, outcomes are defined by the areas of government activity that are at the centre of the exercise. Most notably, the regionalisation that is emerging based on economic and trade concerns at the government level is often quite different from that which is driven by strategic and security imperatives. Perhaps even more divergent is the regional structure that is emerging based on company level interactions and linkages, most notably through the creation of international commodity chains and production networks leading to the construction of discrete industrial clusters. These are vital in the transfer of capital and technology as well as of goods and component parts. Still other types of regions are emerging based on ethnic and cultural

linkages of various kinds. So far in the design of an appropriate regional architecture the imperatives of the “official” forms of configurations have been predominant, but even if we accept this as inevitable there are questions about whether we need quite separate architectures for trade and economic purposes as against security arrangements. So far in the Asia Pacific many people have been happy to live with the restrictions imposed on the fields of activity covered by APEC as against the ASEAN regional forum, for example. But is this an optimal arrangement, given that organisations such as ASEAN are rapidly becoming much more multifunctional? If we then attempt to build in the kinds of configurations that are emerging at the production network and cultural levels things become even more difficult. These considerations also have implications for the way in which we view the choices that need to be made about the geographical scope of the broader region we are looking at. What factors lead us to think favourably about an architecture that includes the whole of the Asia Pacific region as against separate arrangements on the two sides of the Pacific?

### **Some Important Recent Developments and their Implications**

One key factor that has been apparent for some time but which has been noted much more in the last year has been the continued rapid rise of Asia and the inexorable movement of the centre of gravity of the global system towards the East. This process has been underway of course for a number of years, but recently the reaction especially in the United States seems to have moved from apprehension towards hysteria. This has been seen in a number of protectionist bills of various kinds that have been introduced into Congress, but also in the release of a large number of academic and business studies on various aspects of the phenomenon and its implications (see, for example, Arrighi, 2007; Gill, 2007; Kang, 2007; Keller & Rawski, 2007; Khanna, 2007; Mahbubani, 2008; Overholt, 2008; Pyle, 2007). The emergence of India and China as economic superpowers has encouraged several commentators to predict that by the middle of this century, these two nations will have the largest economies in the world. Thus, they argue, wealth and power are moving remorselessly towards the East. Clyde Prestowitz (2005), for example, has pronounced that the arrival of three billion new capitalists in Asia is resulting in the dramatic transformation of the world as we know it. Thus this sort of view is not new, but what has changed recently is the tone of these predictions and the seriousness with which they are viewed in the West. Most dramatically, Mahbubani (2008) has pronounced that Asia is now returning to the centre of the world stage, a position it established for eighteen centuries before the rise of the West in the late eighteenth century. This kind of transformation in Asia is unprecedented in human history: during the Industrial Revolution in Britain, citizens saw their levels of income rise by perhaps 50 per cent, but in parts of Asia the growth experienced in one lifetime has been perhaps 10,000 per cent (Mahbubani, 2008: 9-10). It is hardly surprising then that Asia has rediscovered its self confidence!

One result of Asia’s economic success is the creation of increasingly powerful economic, financial and trade links that are binding Asia together ever more tightly, giving rise to what some see as a new form of pan-Asian identity, one that is based on a

shared colonial experience, but more importantly on this new sense of success and confidence. This has recently been highlighted by Bill Emmott (2008)

Today's Asia has been shaped by economics, and it is an Asia of increasing prosperity, of interdependence and of global financial influence. This is the first time since the Mongol empire established by Genghis Khan in the thirteenth century that Asia has become truly connected across the 6,000 kilometres that separate Japan in the east from India in the west. Economics, rather than nomadic horsemen, is the force that is now turning Asia into a coherent entity, and it consists of more than simply the long-haul aircraft, the mobile phones and the internet that are connecting the whole world. The commercial links that are emerging inside Asia are producing the deepest and most extensive integration that Asia has ever seen. They are bringing about the very creation of Asia. They are, in effect, creating a new continent.

(p. 25)

Many commentators are now arguing that China is in fact setting the pace for integration in the region, and is driving the whole ASEAN Plus Three (APT) process for its own gain in economic and political terms (Glosserman, 2004). ASEAN nations are eager to seize opportunities created by the PRC's explosive economic growth; they also fear that a failure to forge a closer relationship will mean that they will be left behind. Beijing is aware of its growing leverage, and has used economic agreements to overcome Southeast Asian concerns about the impact of China's rise. Aggressive yet savvy diplomacy has been the hallmark of Beijing's foreign relations with its neighbours to the south. As well as participating in APT activities, China has also been promoting greater cooperation between ASEAN and China, and in late 2004 as part of this process an ASEAN-China summit was held immediately after the regular APT meetings. At this summit, an action plan was signed to promote strong strategic relations between China and Southeast Asia. This will involve regular security dialogues and confidence building measures in defence and military affairs. Particularly important was a declaration aimed at resolving difficult issues in the South China Sea. As well, a range of economic and financial areas for co-operation was agreed.

In an important new article, David Shambaugh (2005) has argued that China has become increasingly aware that regional organisations are not hostile to it, nor do they impose any real limits on its freedom of action. Rather, China can now exert a great deal of influence in these fora, and this can help in constraining US actions and influence in Asia. Thus the ASEAN method of consensus building is very comfortable for China's mindset and the achievement of its goals. He also suggests that China's closer relations with the rest of Asia reflect an agreement to pursue co-operative security and conflict management. In this, China is relying to a much greater extent than in the past on its regional influence through "soft power". There are important implications for APEC here, but they are largely related to the complex and difficult issue of longer-term relations between China and the US. But, these are not just matters of security and political influence. Nor in the modern realities of Asia is everything dependent on state actors.

But as Emmott (2008) has also noted, this explosive growth is also leading to a power struggle for Asian influence and leadership between China, India and Japan – one that will be of huge global importance in the coming years. It is important for the future of the world and for the continued prosperity of Asia that this potential conflict be managed effectively, and to this end Emmott presents a series of recommendations. Of these, one is particularly relevant here: Asia has numerous regional organisations but none of them has developed strong institutions with deep levels of co-operation and integration, and every effort needs to be made to achieve this. Success here will not only depend on the policies of Asian nations but also the willingness of the US to encourage the emergence of institutions from which it is itself excluded, such as the East Asian Summit.

To deal with these sorts of issues it will be necessary for regional organisations to have the ability to deal with both economic and security issues. To some extent ASEAN is already moving in this direction. The ASEAN Charter adopted in late 2007 stresses commitment to intensifying community building by establishing an ASEAN Community that comprises the ASEAN Security Community, the ASEAN Economic Community and the ASEAN Socio-Cultural Community (ASEAN, 2007).

It was in this context that Australian Prime Minister Kevin Rudd has made a bold proposal for the creation of an Asia Pacific Community. He noted a significant number of challenges facing the ‘Asia-Pacific Century’ including some economic and environmental issues (ageing populations, increased demand for energy, rising prices of many food items, water shortages), and some serious security problems (Taiwan, North Korea and others). Each of the existing regional organisations – APEC, ASEAN Regional Forum, ASEAN Plus Three and the East Asia Summit – has a special role to play. But what is needed is some long-term vision of a better regional architecture. Such a vision, he suggests, should embrace:

- A regional institution which spans the entire Asia-Pacific region – including the United States, Japan, China, India, Indonesia and the other states of the region.
- A regional institution which is able to engage in the full spectrum of dialogue, cooperation and action on economic and political matters and future challenges related to security.

He proposes that such an institution should be in place by 2020. While Europe “does not represent an identikit model of what we would seek to develop in the Asia Pacific, what we can learn from Europe is this – it is necessary to take the first step”. ASEAN has demonstrated the benefits of a long-term vision, and has built up habits of cooperation and dialogue.

Thus there seems to be support of one kind or another for the general idea of a (C?)community, but there are some key unanswered questions relating to how this community is best built, how it should be configured and what its operating rules and procedures should be. These are the issues I seek to address in the rest of this paper.

## **A Key Problem: Overlapping and Conflicting Regional Configurations**

In the large and often confusing literature on the theory of regional integration and regionalisation it is almost always emphasised that there is rarely anything that could be said to approach a 'natural' region. Regions are almost always creations based on some particular and perhaps esoteric vision of a form of unity or common interest. Also, such regions can only be defined effectively and efficiently for some particular purpose: if the nature of the problem to be solved changes then so do the boundaries of the region that provides the best 'solution'. This is nowhere more true than in Asia, which is characterised by high levels of diversity and fragmentation, and by many conflicting visions of what some particular regional architecture is designed to achieve. It is little surprise, then, that Asia already has a plethora of regional institutions with overlapping and sometimes conflicting regional configurations, and this I want to argue causes some serious problems in trying to move forward with processes of regional integration.

It is often argued in this body of literature that there are three quite distinct motivations for the creation of regional groupings (Tay, 2002; Evans, 2005):

- *Deepening functional cooperation.* New regional structures are needed to deal with a growing and rapidly changing regional economy, and with the political and other changes that accompany these processes.
- *Regional identity.* Regions emerge reflecting underlying regional identities or consciousness. Such consciousness can derive from common experiences – for example the humiliations that flow from experiences of colonial domination or from some particular event such as the Asian economic crisis. Or it may be based in a desire to preserve a particular way of life or a distinctive approach to development, for example the Asian model of development (Stubbs, 2002).
- *Geopolitical weight.* Cooperation may be designed to increase the influence in the world of a particular region, such as East Asia, and counterbalance, for example, the United States. Included here may be campaigns to increase the role Asia in some key multilateral institutions such as the United Nations, the WTO or the IMF, one of the key recommendations of Mahbubani, (2008).

These differing aims make life difficult enough, and those who have worked on aspects of APEC for a number of years will recognise each of them in various aspects of the organisation's activities and in the divergent ambitions for APEC held by various member economies. But to make things even more complex it is usually recognised that processes of regionalisation are actually driven by a number of different players, and here I want to recognise five key stakeholders each with a very different agenda: governments; local governments at various levels; the private sector; special purpose and problem-oriented organisations; and civil society groupings of one kind or another (Pempel, 2005b; Evans, 2005).

### *Government or 'Official' Regionalisation*

Clearly the most dominant actors in the process of Asia Pacific regionalisation have been member governments, which through various agreements have created what we might call 'official' or perhaps 'top down' regions. Obviously governments themselves are not monolithic entities, and are generally obliged to respond to the priorities of a plethora of interest groups and constituencies. However, recent research on bilateral trade agreements is suggestive of how governments of various kinds think about these issues, and there are significant implications for broader regional agreements. While all governments involved in negotiating trade agreements stress the economic benefits involved, there is increasing evidence that the financial benefits that are involved are usually relatively insignificant, at least in the current environment of overarching WTO agreements (Ravenhill, 2008). Rather, as Michael Wesley (2008) has argued, strategic issues have been a major but usually undervalued driver of the recent trend towards bilateral agreements. Following the end of the Cold War we have seen the progressive devaluing of traditional security institutions, and governments have been forced to look for alternative mechanisms. At the same time, the removal of the specific threat that cemented the Cold War system has given rise to much disagreement about the new rules that should govern the international system. Disputes about US intervention in Iraq clearly illustrated a new fluidity in alliance relationships. New great – or potentially great – powers have emerged and this has created a new form of multipolarity. All of these powers are concerned about a range of economic and trade issues, especially at present their access to energy, but they also compete for influence in abroad sense. Since the September 11<sup>th</sup> attacks on the United States, Wesley suggests, there has been increased attention on the struggle to achieve order in an environment of intensified globalisation. The creation of alliances through mechanisms such as trade agreements has been a key response, partly based on the assumption that closer economic ties and growing incomes are likely to create more stable environments, and partly to lock in alliances among like-minded nations (Wesley, 2008 p. 217). Great powers have always preferred to negotiate bilateral agreements because their sheer size gives them extra leverage over almost all potential partners, but such deals also give significant security benefits as well as greater influence relative to their other big power competitors. Recently, the vast majority of such deals signed by the US have involved partners in the Middle East or in Southeast Asia, both seen as key theatres in the War on Terror (White, 2005). Similarly, Japan has used trade deals to bolster its strategic interests, especially in Southeast Asia. However, Japan's position of leadership within Asia has been increasingly usurped by a rising China, and now a rising India (Emmott, 2008).

Smaller nations see the role of trade agreements in rather a different light. Lacking the clout of the major powers they are forced to prop up their strategic interests in a variety of ways. This may involve deals with one or more of the major powers – in fact it is probably better to develop strong relationships with all of the key players with an ability to influence their strategic position, but they also use multiple linkages with a variety of small and medium powers as an insurance policy – what has been called 'omnimeshment' (Goh, 2008). To avoid being overwhelmed by much more powerful

nations, many small and medium players have quite naturally favoured broader regional agreements that are less open to domination by one member.

Thus, at the government level, there are clear differences in the aims of initiatives involving bilateral and regional integration of various kinds. A major distinction needs to be made between big power interests and those of the smaller nations, and of course each big power has a quite distinct strategic approach of its own. Given that in the Asia Pacific we have all of big powers that are on the world stage or at least aspire to be – the US, China, Japan, India and Russia – this presents some serious issues in the design of appropriate regional architecture, and issue I will return to later in this paper.

### *City & Provincial Governments*

Further complications are added by bringing in the interests and initiatives of lower levels of government, and these concerted actions by city and provincial authorities appear to be a growing component of co-operation in the Asia Pacific. Some of these activities are within a closely defined area, while others involve much wider linkages.

One frequently quoted co-operation of this kind is the Pearl River Delta region that now includes Guangdong, Hong Kong and Macao. Hong Kong is now playing a crucial role in one of China's most rapidly expanding regions and a major part of Hong Kong's economic activity is now linked to manufacturing activities across the border (Sung, 1997; McKay, 2004). It is estimated that some 500,000 workers in Hong Kong are employed in companies that are involved in manufacturing or import-export activities on the Mainland. Another one million workers are indirectly employed in producer service activities related to cross-border manufacturing. This partnership has transformed Guangdong into the most rapidly growing region of China, with some 13 per cent of all value added industry in 2002. The PRD has been called the Fifth Asian Dragon and now receives more FDI than any country in Southeast Asia. Total exports from the region are around \$US 283 billion, or 4.69 per cent of world exports. It is estimated that some 63,000 HKC companies are engaged in manufacturing activities across the border in the Mainland. Of these, 7000 are directly involved in production, while 56,000 are engaged in import-export activities. Hong Kong based companies operate some 59,000 factory facilities on the Mainland, with 53,000 of these being in Guangdong. Thus the level of linkage in this region is truly enormous.

In a valuable survey, Enright, Scott & Chang (2005) have pointed to the existence of well-defined clusters of firms and industries in various parts of the Pearl River Delta. Such clusters have not emerged just through the activities of the private sector, but are the result of deliberate programs by local authorities to build up their regions, and have now emerged in products such as garments and textiles, footwear, plastics, electronics and more recently financial services. The strategy of local authorities is based on building up enough effective agglomeration economies to ensure that it will be very difficult for individual firms to move to competing regions in the future. A central tool here is to foster the development of networks of suppliers of components. As the clusters develop, more and more inputs are supplied from the local economy, embedding the networks

more firmly in the local economies. Many of these clusters and networks are confined to quite small geographical areas. The car industry of Guangzhou is often quoted as a particular example: a number of Japanese car makers have established large plants there, and this investment has been followed by the establishment of other Japanese-owned car parts factories.

Longer distance linkages involving city and local governments have been fostered through sister city agreements, city alliances and the like. At present the Asia Pacific region does not have any thing like the level of cooperation that exists in Europe through pioneering organisations such as Eurocities, but such cooperation is beginning to emerge.

### *Private Sector or 'Bottom Up' Regionalisation: The Special Role of Production Networks*

Private sector activities of various kinds have been seen as important in fostering regional co-operation, what has been called 'regionalisation from below'. General processes of trade and investment creation are of course important here, but most attention has been given recently to the impact of production networks that are such a central elements of recent development in Asia. In a landmark report the United Nations Industrial Development Organisation has argued that rapid technological advances has made possible the fragmentation of production into a series of stages performed in various locations around the world and reintegrated at a later stage (UNIDO, 2004). This can generate considerable increases in efficiency and reductions in costs, and allows some developing countries to upgrade their industrial capacity.

Asia has been the world's most dynamic economic region for several decades now, and much of this success can be attributed to the development of successful business networks of various kinds. The precise forms of these networks have varied significantly between economies such as Japan, South Korea and Taiwan, but they all share certain common features. Biggart & Hamilton (1997) argue that the real secret of Asian economic success does not lie simply with the nature and effectiveness of Asian culture, management systems or governments, but with the fact that each country has adopted a different strategy base on its own culture, traditional ways of organising things, and the nature and capacity of its government. None has attempted to do: each has specialised in industries and modes of organisation in which it has a particular advantage. But, it could also be argued that each of the forms has been centred on a particular kind of network model.

But in the growth of Asia, it is not just production networks at the national level that have been crucial, but also at the regional and international scales. The internationalisation of production has been well established for several decades, but grew particularly after the early 1980s. The revolution of transportation wrought by containerisation drastically reduced shipping costs and allowed component parts to be moved anywhere in the world at a reasonable cost. At the same time, dramatic changes in communications systems allowed easier planning and control of the new logistic networks that were also essential for the development of more complex production

chains. In East Asia, Taiwan in particular became involved quite early in this new form of international production. Many small and medium forms manufactured a wide range of items not under their own brand name but with the trade mark of US and other companies.

But it was with the development of a set of sophisticated production systems centred on Japan that the region really entered the new era of global sourcing, giving rise to an increasingly integrated regional production system. These developments led some commentators to argue the Asia's national borders now had much less meaning and influence than in the past. A series of new production zones and growth triangles were emerging, straddling the borders between nations (Chen & Kwan, 1997). This increased level of integration within East Asia has certainly encouraged a number of plans for greater level of regional co-operation through free trade agreements and other mechanisms (see, for example, Cho, Kim & Lee, 2003; Kim & Lee, 2003).

This acceleration in the development of global outsourcing and international production networks is also intensifying competition between the now vast range of locations seeking to host these new activities. It is not only new players that are seeking to enter the market, but also old established industrial districts in the developed countries seeking to transform their activity range and replace traditional industries that have long since ceased to be competitive. In this intensely competitive environment, national governments and local authorities seek to upgrade their infrastructure, information systems, and a host of other things that are important to particular types of activities. They also try to stress the quality and dedication of their labour force, and often offer tax incentives and other financial deals. At the moment, Asia in general and China in particular are doing very well in their attempts to attract these new investments, but it is clear that severe competition will have to be faced in the coming years. India is a more recent arrival, especially in the services and IT areas, but others will follow soon.

As regions and nations compete to host these production network activities, technology is of course a key concern for all of the players involved. For individual companies, as we have already seen, access to new technology is vital, and they are increasingly concerned with the abilities of their own production chains to deliver cost savings and improved quality as the result of technological innovation. But, in examining the advantages offered by particular alternative sites for new investment, the educational and technological resources available to them from the surrounding community are becoming key factors, and this is why investment in all of these resources by national and local governments is so vital. It is also important from a government perspective to ensure that it does not become trapped in a low level/low technology trap. Regions that are not able to attract the kinds of companies that are interested in continued technological upgrading or are not able to offer them a suitable environment of skills and innovation run the risk of being condemned to a continued reliance on low level activities with poor wages and insecure futures. Such industries are likely to be short lived, as these firms will quickly move on to the next new location offering even lower labour costs.

One result of the growth of international production networks in Asia has been to encourage greater interaction and linkage between nations. A number of authors have argued that these production networks are a major factor in fostering regional trade and integration. For example, Dennis Tachiki (2005) has used case study of Japanese production networks in the region to argue that such investment plays a key “bottom-up role in integrating East Asia”. As the result of extended negotiations between companies and governments, national and local authorities create favourable environments in which these networks can prosper. This has involved the development of regional infrastructure and the offering of the kinds of incentives I have already discussed. The result has been the creation of various sub-regional groupings, growth triangles and clusters. Government support for these cross-border activities has also generated a series of free trade agreements, which have in turn encouraged yet more linkages and an environment for continued freeing up of restrictions on trade. Such international co-operation has also involved the creation of multinational infrastructure projects, such as the construction of submarine telephone cables, satellite systems and the like. The result of these circular and cumulative processes has been the creation of a number of trade and investment corridors. These include a corridor in Northeast Asia, running from Tokyo through South Korea, the coastal regions of China and Taiwan to Hong Kong. Similarly, a corridor has emerged in Southeast Asia that includes parts of Thailand, Vietnam, Malaysia, the Philippines and Singapore

#### *Special Purpose and Problem-Oriented Organisations*

Pempel (2005b) has highlighted the role that a number of special purpose semi-public and private organisations have played in creating a variety of cross-border networks. Such organisations may deal with a range of environmental problems (for example, river basin management, energy, pollution control), international crime, terrorism, pandemics (Dupont, 2001). Dealing with these multi-faceted issues involves drawing in experts from a variety of fields and organisations, and this may often result in the creation of rich and productive international networks.

#### *Civil Society Organisations*

Nongovernmental or civil society networks exist in a bewildering level of varieties. Some networks are based on ethnic and cultural linkages that involve cross-border contacts, but at the policy level we have also seen in Asia the activities of a number of influential non-governmental policy networks (Evans, 2005). PECC and CSCAP are prime examples here, but there also exist a large number of advocacy groups, discussion groups, roundtables and the like attempting to influence and mould government policies.

### **Some Implications for the Design of Regional Architecture**

As I noted earlier, it is almost always true in the real world it is extremely difficult to identify a ‘natural’ region: regions are almost always creations based on some

particular and perhaps esoteric vision of a form of unity or common interest. Also, such regions can only be defined effectively and efficiently for some particular purpose: if the nature of the problem to be solved changes then so do the boundaries of the region that provides the best 'solution'. If we accept this proposition, and if we also accept the arguments I presented in the last section on the existence of multiple and even contradictory configurations in Asia Pacific processes of regionalisation, what can be done in a practical and policy sense to at least avoid some serious errors? Here I consider what I believe are some of the key issues:

#### *Overlapping Configurations for Specific Purposes or General Overarching Bodies?*

There is certainly no denying the existence of multiple configurations, but what do we do about them? The present solution in Asia seems to be to accept the existence of a large number of regional bodies, each with a particular purpose and membership. This allows for a set of regional actors that have wide variation, a set of political issues that is highly divisive, and a certain degree of 'strategic ambiguity on a range of important issues. This is what a number of commentators have called 'variable geometry' (Frost, 2008). Each regional organisation is designed to meet a particular purpose, and organisation tends to balance the power of the others. In the present situation this may well represent a unique and very Asian approach to a difficult problem.

#### *Where are the Outer Boundaries?*

One of the tendencies of the private sector is to constantly push the outer boundaries of the region ever further out. As new and cheaper production sites are opened up, usually in previously undeveloped areas, so there is increased pressure to extend the outer limits of the regional system. This can be highly unsettling to the system and impose severe adjustment costs, but there are certain benefits involved of course.

#### *Asia Pacific Community or Asian Community, or Both?*

At present, both Asia Pacific and Asians only institutions exist, and this is a key element in the variable geometry referred to earlier. But it also has crucial implications in terms of big power rivalries. China has tended to promote ASEAN Plus Three as representing an Asian organisation that excludes the US, often at the expense of APEC. At the same time, many smaller players recognise the benefits of having an organisation that includes as many as possible of the big players, so that no single power is able to dominate. This choice represents one of the key policy issues in the region, and it may be that the present plethora of organisations will survive as a compromise balancing solution.

## **References**

Arrighi, Giovanni (2007) *Adam Smith in Beijing: Lineages of the Twenty-First Century*, London: Verso.

- Association of Southeast Asian Nations (2007) *The ASEAN Charter*, Jakarta: ASEAN Secretariat.
- Biggart, Nicole Woolsey & Hamilton, Gary (1997) "Explaining Asian Business Success" in Orru, Marco, Biggart, Nicole Woolsey & Hamilton, Gary (eds) *The Economic Organisation of East Asian Capitalism*, Thousand Oaks: Sage, 97-110.
- Chen, Edward & Kwan, C. H. (1997) *Asia's Borderless Economy: The Emergence of Sub-Regional Zones*, Sydney: Allen & Unwin.
- Cho Lee-Jay, Kim Yoon Hyung & Lee Chung H. (eds) (2003), *A Vision for Economic Cooperation in East Asia: China, Japan, and Korea*, Seoul: Korea Development Institute.
- Dupont, Alan (2001) *East Asia Imperilled: Transnational Challenges to Security*, Cambridge: Cambridge University Press.
- Emmott, Bill (2008) *Rivals: How the Power Struggle Between China, India and Japan Will Shape Our Next Decade*, London: Allen Lane.
- Enright, Michael, Scott, Edith & Chang Ka-mun (2005) *Regional Powerhouse: The Greater Pearl River Delta and the Rise of China*, Singapore: Wiley.
- Evans, Paul (2005) "Between Regionalism and Regionalisation: Policy Networks and the Nascent East Asian Institutional Identity" in Pempel, T.J. (ed.) *Remapping Asia: The Construction of a Region*, Ithaca: Cornell University Press, 195-215.
- Frost, Ellen (2008) *Asia's New Regionalism*, Boulder: Lynne Rienner.
- Gill, Bates (2007) *Rising Star: China's New Security Diplomacy*, Washington: Brookings Institution Press.
- Goh, Evelyn (2008) "Great Powers and Hierarchical Order in Southeast Asia: Analysing Regional Security Strategies", *International Security*, 32, 113-157.
- Glosserman, Brad 2004. "ASEAN Plus Three Leads the Way", Hawaii: Pacific Forum CSIS, PacNet No. 51A.
- Kang, David (2007) *China Rising: Peace, Power, and Order in East Asia*, New York: Columbia University Press.
- Keller, William & Rawski, Thomas (2007) *China's Rise and the Balance of Influence in Asia*, Pittsburgh: University of Pittsburgh Press.

- Khanna, Tarun (2007) *Billions of Entrepreneurs: How China and India are Reshaping Their Futures and Yours*, Boston: Harvard Business School Press.
- Kim Yangseon & Lee Chang Jae (2003) *Northeast Asian Economic Integration: Prospects for a Northeast Asian FTA*, Seoul: Korea Institute for International Economic Policy.
- McKay, John (2004) “Greater China and Its Neighbours: Economic, Political and Strategic Dynamics and Their Regional Implications”, in Mills, Greg & Skidmore, Natasha (eds) *Towards China Inc? Assessing the Implications for Africa*, Johannesburg: South African Institute of International Affairs, 1-18.
- McKay, John (2007) “APEC and the Construction of an Asia-Pacific Community: Just a Vain Hope?” *Oceana* [Oxford University Press], Trading Arrangements in the Pacific Rim: ASEAN and APEC, Document II.C.28, 2007, 1-12.
- Mahbubani, Kishore (2008) *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East*, New York: Public Affairs
- Overholt, W.H. (2008) *Asia, America, and the Transformation of Geopolitics*, New York: Cambridge University Press.
- Pempel, T.J. (ed.) (2005a) *Remapping Asia: The Construction of a Region*, Ithaca: Cornell University Press.
- Pempel, T.J. (2005b) “Emerging Webs of Regional Connectedness” in Pempel, T.J. (ed.) *Remapping Asia: The Construction of a Region*, Ithaca: Cornell University Press, 1-30.
- Prestowitz, Clyde (2005) *Three Billion New Capitalists: The Great Shift of Wealth and Power to the East*, New York: Basic Books.
- Pyle, Kenneth (2007) *Japan Rising: The Resurgence of Japanese Power and Purpose*, New York: Public Affairs.
- Ravenhill, John (2008) “The Move to Preferential Trade on the Western Pacific Rim: Some Initial Conclusions” *Australian Journal of International Affairs*, 62, 129-150.
- Rudd, Kevin (2008) “Its Time to Build an Asia Pacific Community”, Address to the Asia Society AustralAsia Centre, Sydney, 4<sup>th</sup> June 2008, available at [www.pm.gov.au/media/Speech/2008/speech\\_0286.cfm](http://www.pm.gov.au/media/Speech/2008/speech_0286.cfm)
- Shambaugh, David 2005. “China Engages Asia: Reshaping the Regional Order” *International Security*, 29 (3), 64-99.

- Stubbs, Richard 2002. "ASEAN Plus Three: Emerging East Asian Regionalism?" *Asian Survey*, 42, 440-455.
- Sung Yun-win (1997) "Hong Kong and the economic integration of the China Circle", in Naughton, B. (ed.) *The China Circle: Economics and Technology in the PRC, Taiwan, and Hong Kong*, Washington DC: Brookings Institution Press, 41-80.
- Tachiki, Dennis (2005) "Between Foreign Direct Investment and Regionalism: The Role of Japanese Production Networks" in Pempel, T.J. (ed.) *Remapping Asia: The Construction of a Region*, Ithaca: Cornell University Press, 149-169.
- Tay, Simon (2002) "ASEAN Plus Three: Challenges and Cautions about a New Regionalism" in Mohamed Jawar Hassan, Stephen Leong & Vincent Lim (eds) *Asia Pacific Security: Challenges and Opportunities in the Twenty-First Century*. Kuala Lumpur: ISIS Malaysia.
- Wesley, Michael (2008) "The Strategic Effects of Preferential Trade Agreements" *Australian Journal of International Affairs*, 62, 214-228.
- UNIDO (2004) *Inserting Local Industries into Global Value Chains and Global Production Networks: Opportunities and Challenges for Upgrading*, Vienna: United Nations Industrial Development Organisation.
- White, Gregory (2005) "Free Trade as a Strategic Instrument in the War on Terror: The 2004 US-Moroccan Free Trade Agreement", *Middle Eastern Journal*, 59, 597-616.