

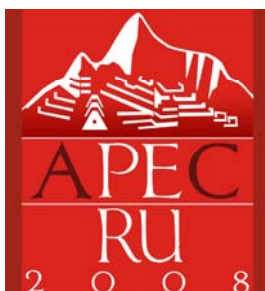


**Asia-Pacific
Economic Cooperation**

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APEC Peru 2008 ASCC Conference: Regional Institutional Architecture

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APEC Peru 2008 ASCC Conference Session 5 - Regional Institutional Architecture

Some Prospects for Further Institutionalization

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Regional Institutional Architecture

- Douglass North:
“**Institutions** are the humanly devised constraints that structure human interaction. They are made up of formal constraints (such as rules, laws, constitutions), informal constraints (such as norms of behavior, conventions, self-imposed codes of conduct), and their enforcement characteristics.”
 - **Regional institutions** refer to the ways/mechanisms devised by countries in a region to order their interactions.
 - **Architecture** can be defined as the way the various regional mechanisms relate to each other.

On further institutionalization:

- Means moving from loose, informal, voluntary, nonbinding, consensus-driven, ad hoc arrangements, to (more) formal, binding, structured, enforceable arrangements.
- 3 questions:
 - Why (further) institutionalize? (*form follows function*)
 - Are there regional characteristics that would influence the depth and speed of further institutionalization?
 - Which regional arrangements should move toward further institutionalization?

Regional mechanisms for financial cooperation: EAS members

	ACD (28)	APEC (21)	ASEAN Initiatives ^{1/} (10)	ASEAN+3 Initiatives ^{2/} (13)	ASEM (39)	EMEAP (11)	SEACEN (16)	SEANZA (20)
Brunei Darussalam	√	√	√	√	√		√	
Cambodia	√		√	√	√		√	
Indonesia	√	√	√	√	√	√	√	√
Lao PDR	√		√	√	√			
Malaysia	√	√	√	√	√	√	√	√
Myanmar			√	√	√		√	
Philippines	√	√	√	√	√	√	√	√
Singapore	√	√	√	√	√	√	√	√
Thailand	√	√	√	√	√	√	√	√
Viet Nam	√	√	√	√	√		√	
China, People's Rep. of	√	√		√	√	√		√
Japan	√	√		√	√	√		√
Korea, Rep. of	√	√		√	√		√	√
Australia		√				√		√
India	√							√
New Zealand		√				√		√

Source: Kuroda and Kawai (2002), updated by Yap, et al (2007: Table 3.3, p. 31); with modifications.

Monetary and financial cooperation initiatives

	ACD	APEC	ASEAN	ASEAN+3	ASEM	EMEAP	SEACEN	SEANZA
			Initiatives	Initiatives				
Policy dialogue/ information exchange	√	√	√	√	√	√	√	√
Surveillance/peer review			√	√				
Capacity building		√	√	√	√	√	√	√
Regional financial arrangements			√	√				
Regional capital market development		√	√	√		√		
Research		√	√	√	√	√	√	

Source: Lamberte and Yap (2003), updated by Yap, *et al* (2007: Table 3.2, p. 30); with modifications.

ASEAN: Pre-1997

- Community building done through adherence to norms built around the “ASEAN way” – discussion and consultation, unanimous decision and consensus; first codified in the Treaty of Amity and Cooperation.
- In tandem with cautious building of structures to facilitate implementation of various functional cooperation projects.
- Numerous declarations, agreements and treaties provided a comprehensive framework for managing inter-state relations and promoting closer political and economic cooperation.
- These types of regional structures categorized as low-key approaches that promote trust and confidence-building through established habits of dialogue, observance of regional norms and building loose/informal institutions.

ASEAN: Post-1997

- Against the lack of institutional capacity, ASEAN responded by instituting a number of agreements that resulted in the establishment of new regional initiatives to address problems and to encourage closer cooperation; more focus on developing deeper institutional mechanisms for managing regional crises.
- It was also recognized that, in the absence of strong institutions and the lack of enforcement mechanisms, effectiveness of the types of ad hoc responses ASEAN had undertaken remained in doubt. Effectiveness of future initiatives would also be handicapped.
- *3-pillar approach for building an ASEAN Community; ASEAN Charter.*

ASEAN+3

- 1997 Asian financial crisis was the major catalyst for its creation; hence, its focus on regional financial cooperation.
- Process institutionalized in 1999; like ASEAN, characterized as a loose, informal institution.
- Despite lack of formal structure, treaty or formally binding agreement, “web of relations between the members has grown quickly,” which has led to a build-up of confidence, in turn allowing a variety of projects to realize concrete products.
 - i. Economic Review and Policy Dialogue (ERPD)
 - ii. Chiang Mai Initiative (CMI)
 - iii. Asian Bond Markets Initiative (ABMI)
 - iv. ASEAN+3 Research Group

ASEAN+3

- Much has been achieved in the last ten years; engaging the Plus Three economies deepened and widened financial cooperation initiatives initially undertaken by ASEAN.
- More can and still needs be done in order to ensure the region's capacity to prevent, or at the very least withstand the impact of any future financial shock.
- "Easy" phase is deemed over; *need to deepen existing initiatives and develop new ones (e.g., Blueprint for financial sector development)*.

Asia Cooperation Dialogue

- Proposed by, and first hosted by Thailand in 2001.
- Aim was to create an open, informal and non-institutional forum where high-level policy-makers can exchange views and experiences on issues of common interest among Asian nations, as well as explore areas of potential Asia-wide cooperation.
- 30 members, including ASEAN+3 members, plus countries from South Asia, Central Asia, and the Middle East.
- Envisioned to be inclusive and to complement already existing regional frameworks such as the ASEAN, ASEAN+3, South Asian Association for Regional Cooperation (SAARC), Gulf Cooperation Council (GCC), and forums such as the Boao Forum for Asia.
- Functions through 2 mechanisms - dialogue and projects.

East Asia Summit

- Launched in 2005 in Kuala Lumpur as a “forum for dialogue on broad strategic, political and economic issues of common interest and concern, and with the aim of promoting peace, stability and economic prosperity in East Asia.”
- ASEAN+3 members plus Australia, New Zealand and India (latter three countries are dialogue partners of the ASEAN and have acceded to the ASEAN’s TAC).
- At 2nd EAS, identified five priority areas for EAS cooperation - energy, education, finance, combating avian influenza, and natural disaster mitigation.
- Fraught with conflicts about the Summit’s purpose; relationship to other regional initiatives, particularly the ASEAN +3; its role in working toward an East Asia Community; and the composition of membership.

APEC

- Characterized as a “process.”
- Has the most developed structure.
- Noted as being especially successful in regional capacity building.
 - Aside: The member countries in ASEAN that need capacity building initiatives the most are not members of APEC. That was one of the things they hope to get from the EAS, e.g., in the area of financial cooperation; i.e. human capital development.
- Recent pronouncement by Australian PM Rudd on where we want to be with our regional architecture in 2020: “It’s time to build an Asia Pacific Community.”

Some final points

- Major regional cooperation arrangements in East Asia have been in place for many years; timely to consider a “regional institutional architecture” – i.e., how do/should they fit together.
- Need for a “better” regional institutional architecture.
 - Issue is how to better order the various regional cooperation arrangements already in place in East Asia.
 - Some arrangements will further institutionalize; some will maintain the status quo; some will narrow down their focus.
- Goal is not to come up with one (or a unifying) institutional framework.
- Does not obviate the need for global institutional frameworks.

Thank you.