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**Regionalism
as a Part of Regional Governance:
Europe and South-East Asia**

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Regionalism as a Part of Regional Governance: Europe and South-East Asia

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Summary:

The substance of governance lies in a more efficient involvement of various level of decision-making in an opposition to almost exclusive role of national state. As a matter of which, whether you move up or down (i.e. to global or individual), in the hierarchy of governance levels, the state must cooperate with its neighbouring stages of autonomous decision-making. As a result of the complex involvement and combination of various governance levels, the decision-making is transferred to multi-level structures; the example of which could be the regional governance. The aim of this paper is to conceptualize regional governance and its interconnection with regional integration. Subsequently the concept is applied to the case of Europe and South-East Asia.

Keywords: governance, regionalism, Europe, South-East Asia

Regionalismus jako součást regionální governance: příklad Evropy a jihovýchodní Asie

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Abstrakt:

Podstata governance leží v efektivnějším zapojení různých úrovní rozhodovacího procesu jako protikladu k téměř výlučné úloze státu. Následkem toho musí národní stát spolupracovat se sousedními vrstvami politické autonomie, ať už se na pomyslné škále stupňů governance posouváme nahoru nebo dolů (ke globální nebo individuální úrovni). Důsledkem komplexního zapojení a kombinací různých stupňů governance se rozhodování přesouvá na víceúrovňové struktury, jejichž příkladem je i regionální governance. Cílem této studie je definovat regionální governance a její vztah k regionální integraci. Koncept regionální governance je ve studii následně aplikován na příklad Evropy a jihovýchodní Asie.

Klíčová slova: governance, regionalismus, Evropa, jihovýchodní Asie

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Introduction

It is clear today that governing complex societies facing globalisation requires new modes, the set of which is usually conceptualised as *governance*. The term itself is defined in various manners, however, to our understanding following definition quoted from Payne (2005: 64) is the closest: “*Governance is a descriptive label that is used to highlight the changing nature of the policy process in the late twentieth century. In particular, it sensitises us to the ever increasing variety of terrains and actors involved in the making of public policy. Thus governance demands that we consider all the actors and locations beyond ‘the core executive’ involved in the policy making process.*” It emphasises clearly that the substance of governance lies in a more efficient involvement of various level of decision-making in an opposition to almost exclusive role of national state (based namely upon the post-war evolution). Such a definition is also in accordance with Vymětal (2005) or Pierre and Peters (2005: 3), who share the insight in the capacity of national state facing globalization challenges: “we are not negative about the capacity of governments to continue to govern. We understand that public sector no longer governs society in what had been conventional ‘command and control’ manner, but yet it remains capable pf participating in governance, for which government is as essential, or even more essential, than in past.” The role of national state is however changed.

Whether you move up or down (i.e. to global or individual), in the hierarchy of governance levels (see Tab. 1), the state must cooperate with its neighbouring stages of autonomous decision-making. However, the levels refer to pieces of “hierarchy” at which certain powers or functions are being conducted, various levels of governance must be treated as equivalent: lower level does not underlie to the higher one. The logic of governance then lies in an effective combination of various governance levels in that extent that can ensure just response to current challenges, namely induced by globalization (especially as far as the economic governance is concerned). As a result of such a complex involvement and combination of various governance levels, the decision-making is transferred to multi-level structures. Payne (2005: 75) defines multi-level governance as “a polity creating process in which authority and policy making influence are shared across multiple levels of government – subnational, national and supranational”.

Typical example of multi-level structure of governance is the concept of *global governance*. As many of modern concepts, also global governance is often misunderstood and misinterpreted. To conceptualize it more clearly, it is necessary to accept several theses. Firstly, global governance does not represent a foremost structure the power of which can govern states and international relations. Secondly, however global level of governance is occupied namely by international organizations, institutions and transnational corporations (i.e. by those who are able to conduct global strategies and rules), global governance

must include also regional and national levels of governance. All in all, global governance represents a multi-level structure based upon national states, transnational and global institutions, the cooperation of which should be able to answer the global challenges; see Koenig-Archibugi's definition by solution (2005: 4).

Tab. 1: Levels of governance

Level of governance		Examples of decision-making actors
Global	<i>supranational</i>	international organizations, international institutions and rules, transnational corporations
Regional		regional integration, regional institutions
National	<i>national</i>	<i>national state</i> governments and institutions
Local	<i>subnational</i>	local and regional governments, local organizations
Individual		enterprises, civic society, individuals

Source: Own constructions based upon Payne (2005) and Vymětal (2005).

Additionally, e.g. Payne (2005: 74) suggests that “*regions* have also been widely identified as new sites of governance.” As a matter of regions’ position in the governance hierarchy, the concept of *regional governance* is widely explored. Following the definition of global governance, regional governance can be understood as a multi-dimensional set of institutions that are able to answer regional challenges. Several aspects must however be put more clearly here as well. Firstly, region (as well as regional level) represents regional integration, i.e. arrangements between individual nation states.¹ Secondly, regional governance is not dominated by regional institutions. Similarly as in global governance, regional governance is a combination of the policy-making mechanisms that are located at regional and state level; moreover, they have far reaching impacts on the local and individual one, and are strongly influenced by the global and transnational bodies.

To put it exactly, regional governance is a set of states, regional integrations, regional organizations and their mutual relations that are able to face regional challenges more effectively than other levels of governance. As a matter of their activities, a certain *models of regional governance* are being formed, which influences regional system and its ‘lower’ parts on the one hand, and co-exists with global and transnational, i.e. ‘higher’ actors, on the other.

¹ This definition of region corresponds to the theory of regional integration and thus authorises us to apply its concept and ideas further. Among them namely New Regionalism and its theories are the most frequented today. On the other hand, meaning of region as a part of national state must be left aside.

Our emphasis on regionalism, which forms most influential part of regional governance today, is not a coincidence. In today's reality, regional structure (and namely *common strategies of states integrated by regional integration agreements*) often seems to represent the concept of governance at work. With New Regionalism and its theories (see e.g. Soderbaum and Shaw, 2003), the shift in the way of how regional integration is conducted is clearly conceptualised. It lies namely in the shift of policy-making power in various fields of human activity. Moreover, the shift often directs from states to both integrations and subnational actors. Most developed regions (such as the European Union, NAFTA or East Asian integration schemes) thus represent a chance to study the general concepts of governance and their possibilities for facing the globalization challenges. That is why this paper aims at stating basic features of two different models of regional governance – the one applied in Europe (usually understood as a 'deep' integration) and the latter formed in South East Asia (so far usually labelled as 'shallow').

The paper focuses on regionalism as a part of the regional governance system and tries to conceptualize its dominant role in it. The interconnections with other regional institutions (the influence of which is usually normative and depends strongly on the will to accept their rules) are left aside, as they are much more connected with *global governance*. Proper analysis of global governance thus, in our eyes, preconditions exploring the role of regional institution (different from regional integrations) and will be conducted in further research.

1. Model of regional governance in Europe

European regionalism differs markedly from the development in the rest of the world. As such it is often categorized as *regionalism sui generis* (Teló, 2007: 110) and its comparison with other regions is subsequently seen as at least 'problematic'. 'Exclusivity' of European regionalism is given namely by the length and progress that regionalism in Europe has gone through and by almost exclusively favourable conditions (both geographic and historical) for the development of regionalism in Europe. Teló (2007: 110) states following reasons for the initial success of European Integration Process: "political creativity of founding fathers, excellence of technocracy, and decisive will of states (internal factors); favourable international context after 1945, weight of American hegemony and transatlantic economic interdependence, and 'federalizing effect' of the Soviet threat." Even though the process went through profound changes during 1980's, it entered the New Regionalism era as exclusively compact region, which reached the deepest form of market integration ever.

1.1 Towards deep integration across Europe

However there is no doubt, that the EU dominates the regional governance in Europe as a centre of it today, the process of *consolidation of European regionalism* has taken several decades and was fostered by several motives; see e.g. Hnát (2007) for details. Initially, regional governance in Europe was fragmented by two major factors: firstly, integration processes were limited to Western Europe by the bipolar division of the continent (which was not overcome till late 1980's). Secondly, there was a clash between deep and political continental integration project and shallow integration scheme of the EFTA (co-operation between these two started only due to Britain's accession to the EEC in 1970's and was finished by the establishment of the *European Economic Area* in 1995). Even though the process of mutual market integration was quite a complicated one in this case, there is no doubt about the natural substance of market integration between most developed European states.

Subsequent wave of consolidation has been seen as even more complicated and forced the EU (and EEA) to face unprecedented reform of their internal mechanisms. The process of their *Eastern Enlargement* was enabled by the political changes in the region at the end of 1980's. However it was finished (at least for this time) as late as in 2004 and 2007, the process of ever-closer economic and political ties was institutionalised firmly by the European Agreements in early 1990's. As an instrument of European consolidation, these agreements "gave pace to the transformation process during the pre-accession period" and "constituted a framework of mutual cooperation in the areas of economic integration as well as legal and social environment" (Cihelková; Hnát 2006).²

Institutional difficulties and administrative demands of the Eastern Enlargement were more than compensated by the EU's need to foster its own competitiveness and political position in the world that has just been changed by the same factors that started New Regionalism. It is broadly agreed that the Eastern Enlargement represents marked result of the EU's transformation towards New Regionalism and increased its economic as well as political potential. On the other hand, citizens' perceptions (namely in the EU-15) of such a demanding enlargement were not especially positive and according to many, it harmed the internal integrity of the EU. Yet, true causes of the decline in citizens' confidence more probably lie in negative perceptions of globalization, which can be overcome only by the EU's success in global environment.

² Eastern Enlargement influenced (besides individual CEE states) all the CEE countries' attempts on regional cooperation, such as the Visegrad Group or Baltic Council. Their influence on governance in Europe surely is not insignificant; however despite they are supranational in their substance, their impact flows namely downward to subnational levels of governance.

With Eastern Enlargement, European governance formed its *core*, i.e. states and regional institutions (beside those displayed in the table, namely the European Monetary Union must be taken into account) that firmly govern economic, social and political environment with respect to common aspiration in global markets and political arenas. Their dimensions (trivial attempt to evaluate their political power) and breakdown are displayed in Tab. 2.

Tab. 2: Core of the European governance system

Regional integration		Number of inhabitants	GDP (millions of EUR)	
E E A	E U	European Union (EU15)	389 545 371	10 835 664
		New Member States 2004 (10)	74 181 627	621 353
		New Member States 2007 (2)	29 328 963	122 218
		European Free Trade Association (4)	12 434 143	589 486
		Candidate States (3)	79 002 383	353 748

Source: Czech Statistical Office (2006): Eurostat data in Czech. <http://dw.czso.cz/ode/index.htm> and own calculations.

Within its core, regional governance in Europe applies a *deep model of market integration*. It is based upon the EU's Internal Market, its enlargement to the EFTA countries by the provisions of the EEA³, and upon accession provisions that call for massive internal market rules implementation in the candidate states. Market integration with the *four freedoms* however induces extensive cooperation in other fields both economic (monetary cooperation, coordination of economic policies, competition policy, industrial and transport policy etc.) and politics (justice and home affairs, coordination of external policies etc.).

As such, deep integration across Europe builds upon shared competencies of integration institutions, member states' governments and institutions; regional and local authorities as well as civic society are addressed by the principles⁴ of *subsidiarity* and *proportionality*. Yet, policy-making in Europe is still governed by

³ Since the Vaduz Convention in 2002, EFTA itself implemented the provisions of *common market* and thus belongs among deep regional integrations.

⁴ Article 5 of the Treaty Establishing European Union defines both principles: "The Community shall act within the limits of the powers conferred upon it by this Treaty and of the objectives assigned to it therein. In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the *principle of subsidiarity*, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community."

continuing clash between states and institutions (however both represent a public domain) without really effective involvement of governance principles. To implement *good governance* in Europe thus should be a principal goal of future reform of EU's procedures (not only institutions). So far, the principles have often been declared by the Commission (2001), but left almost unnoticed by most member states, which hinders needed structural and institutional reform.

1.2 Transregional dimension of regional governance in Europe

Besides the core, there are other regional systems so markedly influenced by the dominant integration scheme in Europe that they can be classified as the part of the European regional governance system as well. Their integration (with Europe and among each other) is however shallow. First of them (as far as the time of its creation is concerned) is the *Euro-Mediterranean Partnership* based upon the Barcelona Process today. As a part of the EU's External Relations, the Barcelona Process aims at market and social integration with the Mediterranean Countries (namely in North Africa and Middle East).⁵ On the basis of both bilateral and multilateral agreements, the EU aims at economic prosperity and political stability of the region.

Similarly, the EU's strategies on regional stabilization flows towards the Balkans. Moreover, efforts on the consolidation of the economic system in South East Europe reached their peak in 2006 by signing the CEFTA 2006 Agreement. According to it, *Central European Free Trade Area* (originally established by the V4 countries) shifted its scope to this region, markedly supported by the EU's officials. Since May 2007 Albania, Bosnia and Herzegovina, Montenegro, Serbia, UN – Kosovo, and Moldavia joined Croatia and Macedonia in CEFTA. However, also CEFTA 2006 aims at shallow integration, it can be understood as a part of regional governance in Europe as it eases market cooperation.

As was mentioned above, the core and 'periphery' of regional governance in the Euro-Mediterranean region today represents common governance between more than 40 states (i.e. 27 EU members and 3 Candidate states, 4 EFTA states, Mediterranean States) with 600-800 million people; and influences other EU's south-eastern and eastern neighbours markedly. So far, regional development in Europe has thus firstly led towards an ever closer and deeper integration between European states; secondly it has expanded territorially.

The influence of European regional governance can however be traced also in geographically distant regions. *Transregional strategies* are an important part of the external policies (both in economic and political sense) of the EU as well as of

⁵ Ten Mediterranean Countries (MED10) have more than 250 million inhabitants; they are markedly trade oriented towards the EU (almost a half of both their exports and imports goes to/form the EU. For the EU the trade with them represents almost a tenth of its external trade. (European Commission, 2006).

EFTA. They aim at closer economic relations on the one hand, and at creating more stable coalitions in global political arenas on the other.⁶ As such, they are also a source of a certain level of governance; this level is however different from regional governance and tends much more towards a coalition-building in *global governance*. Yet, goals and tools of these transregional strategies are formed by the common interests and needs of the European governance, which makes them a part of a broader system of European governance as well.

Most developed transregional policies are conducted by the EU, yet as far as the EFTA and other parts of the European regional governance core are concerned, overall goals and directions of transregional strategies would be much the same. At the EU's part, there has been a long-lasting tradition of the EU's influence in the world, which has been motivated by its efforts on ever stronger position in world politics. Transregionalism of the EU has been conducted namely within Common External Policy, Humanitarian Aid and Development Policy and more recently in Common Foreign and External Policy. On their bases, EU directs its strategies toward several regions of its economic (but namely) politic interests:

Latin America is connected to Europe by colonial history. Traditionally, interests of the United States and Europe have interfered in the region. EU traditionally combines different level of cooperation with: whole region (Rio Summit), regional integrations (e.g. MERCOSUR or Andean Community) and individual states. Besides economic ties, the EU traditionally stresses social, cultural and political cooperation and tries to support democracy in the region;

Sub-Saharan Africa also shares the colonial history, which left ethnical and developmental problems in the region. As such, namely humanitarian and development aid is directed towards the region;

South East Asia and Pacific is the most dynamic region of today's world economy. EU's strategies toward the region have lagged behind the US ones, which forces the EU to act more rapidly today; the cooperation has namely economic and security reasons/dimensions;

North America is a crucial ally of the EU in spite of the efforts on political emancipation of Europe. Mutual ties are both economic and politically-strategic. So far, the economic cooperation has been minimally institutionalised.⁷

Eastern Europe and Central Asia and Middle East represented major political and security challenge for the EU's policies in the past, which has transformed itself in efforts on economic and political

⁶ Integration efforts aimed at other macroregions of the world economy (e.g. cooperation between Europe and Asia) are called *transregionalism*. Sometimes, the term *interregionalism* is also used. It can be however misleading, because in the New Regionalism theory, interregionalism has another meaning (it represents integration between integrations).

⁷ Major Framework Agreement on Comprehensive Economic Partnership between EU and USA was signed as late as in 2007.

stabilization. However, energy supplies are at the centre of the EU's interests.

European transregional strategies are directed to almost all regions of the world, but it is clear that their perception and evolution differ markedly from region to region, depending both on the EU's efforts and regional conditions. Aggarwal and Fogarty (2004: 27) tried to evaluate the strength and nature of different transregional regimes introduced by the EU; their conclusions are displayed in Tab. 3. In respect to the aim of this paper, these data can similarly express the strength and possibilities of Europe's transregional governance.

Tab. 3: Nature and strength of EU's transregional regimes

Relationship	Regime strength	Regime nature
EU – Eastern Europe	Medium-strong	Comprehensive, developmental
EU – East Asia	Medium-weak	Comprehensive, quasi-developmental
EU – ACP	Medium-strong	Comprehensive, developmental
EU – South America	Medium-weak	Medium-narrow, quasi-developmental
EU – North America	Medium	Narrow, nondevelopmental

Source: Based upon Aggarwal and Fogarty (2004: 27).

2. Model of regional governance in South-East Asia⁸

Institutional economic regionalism has come late to South-East Asia, especially compared to Europe. Evolving trade, financial, business and other networks has led to an increased economic interdependence in the region. Nevertheless, Asian countries did not look for any formal economic cooperation until the second half of the 1990s: “market forces promoted economic integration without agreements in the region and the Asian countries began to have confidence in regional economic dynamism that was independent of legal frameworks” (Munukata, 2001: 2–3). Before the *1997 Asian financial crisis*, there was an emphasis on unilateral, non-discriminatory liberalization under the GATT

⁸ Identifying “South-East Asia” is difficult; there are many varied definitions of the region in the literature. According to the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) or Asian Development Bank (ADB), South-East Asia contains: Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam and Timor-Leste. East Asia (or North-East Asia) includes: People's Republic of China, Hong Kong, Japan, Republic of Korea, DPR Korea, Mongolia and Taipei. Trying to simplify, we use the term “South-East Asia” for all the mentioned countries together in this study (unless it is stated otherwise).

Uruguay Round agreements. After the crisis, major economic and political changes in Asia have occurred. There was a significant loss of confidence in South-East Asia's economic dynamism. Asian countries have recognized the need of a certain form of regional framework to complement or support the functions of the International Monetary Fund (IMF); as they have been criticising the IMF and other organizations for its failure in addressing the financial crisis. After the crisis, many countries have started economic and structural reforms to attract foreign investments and overcome the crisis, which became one of the important driving forces behind free trade agreements (FTAs) promotion (Yoshida, 2004: 11).

Another strong integration stimulus was *the rise of the Chinese economy and the growing rivalry between China and Japan*. In 2001, China became a member of the World Trade Organization (WTO). In 2002, it agreed to form the FTA with the ASEAN between 2010 and 2015. It has also started to negotiate many FTAs with Asian and other countries. Similarly, Japan has not participated in any preferential trade agreement until 2002. Nowadays, Japan cannot afford to stand outside any sort of South-East Asian integration, which could become a platform for Chinese power: "A better strategy will be to use regional institutions and treaties to *dilute China's influence*, establishing a framework of rules and procedures within which both countries will have to operate but which also offers the chance for Japan to build alliances with other Asian democracies" (The Economist, 2005: 16-18). Yamazawa (2004: 13) calls this process "*competitive liberalization*", which means that: "if a certain number of economies form a group and reciprocally open up their markets and ease regulations within it, outside nations that fear discriminatory treatment will have an incentive to join the group or form different free trade group". As regional economic integration is very difficult to resist, Baldwin (2003: 7) uses the term "*domino effect*."

Consequently, the regionalism trends in South-East Asia are changing rapidly. In 2003, Baldwin (2003: 1) wrote: "*regionalism has not really started in East Asia*." However, today many new initiatives cover an ever-increasing portion of the region. According to the Asia Regional Integration Centre's statistics, 198 FTAs have been concluded in the entire Asia-Pacific region (as of June 2007), of it 154 bilateral FTAs and 44 plurilateral FTAs. Thus, there is a strong preference for bilateral agreements. In 2000, there were only 27 bilateral FTAs in the Asia-Pacific region (FTA Trend, 2007, <http://aric.adb.org>). All Southeast Asian countries are members of at least one FTA and many countries are very active in negotiating new regional arrangements as well. Singapore and Thailand lead the region with 19 preferential agreements in force and 10 agreements under negotiation, and 15 and 2 FTAs, respectively (Asia-Pacific Trade and Investment Agreements Database, APTIAD, 2007).

2.1 Towards economic integration across South-East Asia

Southeast Asia is distinct from other Asian regions in many ways; and it is very inwardly heterogeneous. Not only does the region contain every major religion and form of government, but it is also distinguished by huge disparities in wealth distribution and in the underlying economic, social and demographic circumstances of the region's members. The disparities in the organizing norms and principles of international relations and geopolitical and geo-economic factors complicate the processes of regional integration as well.

From the standpoint of the regionalism theory, the *shallow and South-South⁹ integration schemes* dominate in the region. Asian countries have preferred preferential or free trade agreements in terms of trade in goods. However, the *newly concluded agreements go beyond reduction or elimination of tariffs and non-tariff barriers*. They also contain provisions on free trade in services and capital; common rules and provisions concerning other areas (e.g. intellectual property protection, harmonization of competition policies, anti-dumping measures and safeguards etc.). After the Asian financial crisis, region's economies have accelerated monetary and financial cooperation as well.¹⁰ The formation of "East Asian Monetary Union" is often discussed, but still very premature (see e.g. Tan Nuo Ing, 2003). The Asian FTAs have been mostly *market-oriented, not-binding (flexible) and their decision-making style has been consensual*. The weak institutionalisation makes it difficult to create a deep integration like that in Europe. On the other hand, some of the new FTAs contain also binding rules in many areas, which is quite a new trend.

There are many problems and obstacles concerning Asian regionalism. From the sectoral point of view, *agriculture* is a central problem in majority of regional initiatives. For many East-Asian countries, agriculture still represents a major source of employment. Thus, there is general consensus that it should be treated apart. However, in the future, it would be in the interest of almost all countries to include agriculture in FTAs agreements. Also the quickly spreading, overlapping membership ("*Asian noodle bowl*") raises a number of issues. It can result in the duplication and unclear tariff concessions and rules of origin. Moreover, it raises the cost of negotiating, implementing and administering FTAs.

⁹ South-South agreements are concluded among developing countries; usually under the WTO Enabling Clause. Such agreements may include partial scope agreements with limited trade concessions or fully fledged FTAs or customs unions. There are only few WTO Article 24-based FTAs in South-East Asia, e.g. between Japan and Singapore. These agreements have to cover "substantially all" goods within 10 years.

¹⁰ In 1997, Japan proposed foundation of the Asian Monetary Fund (AMF) to prevent another currency and financial crisis. However, this proposal was refused by the United States and China. In 2000, the ASEAN+3 countries agreed to a currency swap mechanism, so-called Chiang Mai Initiative. This agreement is designed to supplement emergency loans from the IMF and World Bank by improving regional cooperation.

As noted above, Asian countries prefer bilateral FTAs (“*economic bilateralism*”). They are much easier to arrange and often more effective than multilateral agreements. Especially, insufficient progress of the WTO talks during the Doha Development Agenda (2001-2006) has led to further promotion of bilateralism in Asia. Nevertheless, some authors warn against prevailing negative effects of bilateralism. According to Dent (2006: 82), “*region-convergent bilateralism can make positive contributions to the development of regionalism, whereas region-divergent bilateralism undermines community-building endeavors.*” Region-convergent agreements may stimulate other states to conclude similar partnerships; as bilateral FTAs may be rationalized into one unified multilateral FTA. On the other hand, region-divergent agreements may lead to hazardous inter-state rivalry; their objectives and actions may be inconsistent with those of regional organizations.

There are only few multilateral integration schemes in the region. *The Association of South-East Nations (ASEAN) is the oldest and the most important integration organization in the region.*¹¹ Until 1990s, it was limited mostly to regional cooperation on political and security issues. In 1992, member countries agreed to establish the ASEAN Free Trade Area (AFTA) through a Common Effective Preferential Tariff scheme by 2010 or 2015. In spite of delays and weak results, the ASEAN leaders agreed (Bali Concord II) to achieve a single market by creating the Asian Economic Community (AEC) by the year 2020. Many authors (e.g. Kikuchi, 2006: 42) suggest that the ASEAN is “*now coming back to the central stage of regional institution building in South-East Asia.*” It extends its relations and FTAs with other countries through the ASEAN+X institutional arrangements. Nowadays, there exist the ASEAN+1 (India and Russia, respectively), ASEAN+2 (Australia and New Zealand) and ASEAN+3 (China, Japan and Republic of Korea) dialogues.

It should be also noted that South-East Asia’s current economic performance is very good, which further promotes the regional integration processes. Ten years after Asian financial crisis, all the crisis countries exceed their precrisis peaks. Nevertheless, a closer look shows that “*growth and investment rates have settled on a lower trajectory.*” On average, the 2000–2006 *GDP growth* in the five most directly affected countries (Indonesia, Korea, Malaysia, Philippines, and Thailand) ran some 2.5 percentage points behind performance in 1990–1996. Southeast Asia experienced more *rapid growth in trade* (both imports and exports) than the world economy did over 1995–2004 (Asian Development Outlook, 2007: 17, 86). *Despite the absence of formal economic integration at institutional level, the Southeast Asia has also the world’s highest rate of growth in intra-regional trade* (see Tab. 4). It has grown 8% per year, i.e. at the same pace as the trade with the rest of the world.

¹¹ ASEAN was established on 8 August 1967 in Bangkok. Today it has 10 member states: Indonesia, Malaysia, Philippines, Singapore, Thailand, Laos, Brunei, Vietnam, Myanmar, and Cambodia. The ASEAN aims at accelerating economic growth, social progress and cultural development in the region and at promoting regional peace and stability (for more see the ASEAN’s Secretariat: www.aseansec.org).

The ratio of the ASEAN's regional exports to total exports increased from 19% in 1990 to 22% in 2004. Trade among the ASEAN+3 countries was larger than intra-ASEAN trade, reaching 35% in terms of exports in 2004 (Tap, 2005: 3).¹² China's growth has proven the most dynamic element in intra-regional trade growth. The value of trade between China and other region's countries has grown 14% per year and it has more than tripled (from \$199 billion in 1995 to \$655 billion in 2004) between 1995-2004 (Asian Development Outlook 2007: 87).

Tab. 4: Growth of intra-Asian trade, all sectors, 1995-2004 (% per year)

Exporter/ importer	Japan	China	NIEs	ASEAN-5	South- East Asia
Japan	-	16,3	2,8	0,5	4,9
China	12,9	-	13,9	19,0	14,0
NIEs	2,7	12,8	5,8	3,9	7,6
ASEAN-5	4,3	21,8	4,8	12,1	7,8
South-East Asia	6,4	14,2	6,5	5,0	8,0

Notes: NIEs are Newly Industrialized Economies of Asia, i.e. (according to ADB) Hong Kong, Republic of Korea, Singapore, and Taipei. ASEAN-5 includes Indonesia, Malaysia, Philippines, Thailand, and Viet Nam.

Source: Asian Development Outlook (2007: 87).

2.2 Organizing Southeast Asian economic relations in the future

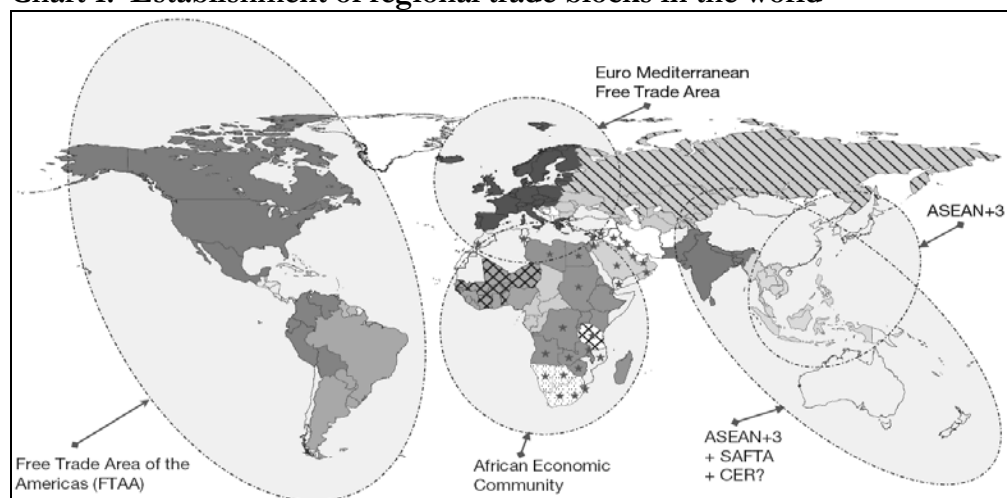
In general, countries in South-East Asia are consolidating their drive towards regionalism at an accelerated pace. Nevertheless, the overlapping membership makes an obstacle for effective functioning of new, modern and progressive FTAs. Thus, it may be useful to *rationalize and consolidate bilateral partnerships into wider integration schemes* (see Chart 1). According to Kikuchi (2006: 52), the region also needs "agreed norms and principles to promote much deeper collaboration to respond various challenges." South-East Asia will have to institutionalise the framework to a certain degree, and solve the leadership problem (China versus Japan) as well as many other dilemmas in the regionalism strategies.

The proposal of the East Asian Free Trade Area (EAFTA) was set in 2000, at the ASEAN+3 Summit. It is evident that the ASEAN+3 processes would be the main vehicle for achieving an East Asian Economic Community (EAEC). However, many authors (e.g. Lee, Jeong, Kim and Bang, 2006: 107) suggest that there are many obstacles to the EAFTA. Besides the huge diversity among East-Asian countries, growing economic rivalry between China and Japan, it is also

¹² These ratios are still relatively low compared to the European Union of NAFTA. Intra-regional trade of the EU-25 was 66% of total exports in 2005; NAFTA reached the ratio of 56% (UNCTAD Handbook of Statistics, 2006-07: 49).

the lack of community spirit in South-East Asia (and namely in North-East Asia). However, if such regional-wide integration is achieved, South-East Asia could become one of the world's most powerful economic areas. Yet, the formation of a new, integrated economic system will be probably very gradual. It will result *"from evolution, not revolution"* (Yamazawa, 2004: 28).

Chart 1: Establishment of regional trade blocks in the world



Source: Fiorentino, Verdeja, Toqueboeuf (2006: 35).

Southeast Asia is also expanding its cooperation with non-Asian countries. *The Asia-Europe Meeting (ASEM)* is an important example of a trans-regional, multilateral economic forum.¹³ It is aimed at closer trade and other economic cooperation between Asia and Europe (Hnát, 2005). For the time being, ASEM has no strong institutional structure, coordination mechanisms nor binding rules. Nevertheless, according to some observers, ASEM activities could be an effective catalyst for consolidating the South-East Asia regional community in the coming years (e.g. the developments in APEC).

Conclusion

We defined regional governance as *a set of states, regional integrations, regional organizations and their mutual relations that are able to face regional challenges more effectively than other levels of governance* and conceptualised the crucial role of *regionalism* within it. And indeed, as Chart 1 shows, based upon the rapid development of regionalism, four or five comprehensive models of *regional*

¹³ ASEM is an informal process of political, economic and socio-cultural dialogue and co-operation established in 1996, bringing together individual EU member states plus the European Commission with Asian countries (Brunei, Cambodia, China, Indonesia, Japan, Korea, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam, India, Mongolia and Pakistan).

governance can be formed within the world economy in the near future. All of them would be based upon the integration model introduced by its core scheme (i.e. on deep integration model of the EU in Europe, flexible economic and monetary integration of ASEAN in Asia, or on comprehensive and still shallow model of NAFTA in the Americas). Similarly, they will apply a certain model of transregional and global involvement, which will form the pace of *global governance* markedly.

As such, we are convinced, that the *form and pace of the governance-based world order* will be shaped (among others) by the developments in regionalism. Understanding the complexity of individual regional schemes is thus a key to the understanding of the regional 'part' of the governance system as a whole. Moreover, we emphasized, that as far as the *regional governance models* formed so far are concerned, already today they can offer a good deal of insight in the way, how (multi-level) governance is working.

In *Europe*, profound changes in the world economy and politics at the end of 1980's changed the conditions of European regionalism markedly. New situation firstly induced new challenges for the EU itself (international competitiveness, Eastern enlargement, political emancipation, etc.). Secondly it ended many of the favourable conditions that built the success of EU so far: end of bipolar world changed the perceptions of transatlantic partnership; and last but not least, the decisive willingness of EU Members facing unpopular reforms of European welfare state remained often but a memory. Nevertheless, new situation calls for a strong regional governance and thus induces enough reason for European regionalism to develop further. There is however no doubt that *its development will be different now*. Facing the new situation, Europe will have to develop a more effective system of governance that will firstly produce the decisive will for needed reforms and secondly return citizens' confidence in the European integration process.

Asia started to form its multi-level governance system relatively late. Until recently (the second half of the 1990's), East Asia was one of the few regions in the world where regional trade agreements were rare. The quicker however, the pace of regional development seems. Since late 1990's, it has often been discussed whether the EU type of regional integration is feasible there. In that respect, we suggest that firstly, the East Asian countries are not yet mature enough to adopt the EU type of integration, and secondly, that the EU type of integration sources from exclusive conditions for regionalism in Europe which makes it almost impossible to transfer to another region. Thus we believe that *the models of regional governance in Europe and Asia must remain different*. On the other hand, the principles of governance (i.e. broader involvement of various decision-making levels) will be common for them both.

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