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## Open Regionalism and Regional Governance: A Revival of Open Regionalism and Japan's Perspectives on East Asia Summit\*

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This paper explores Japan's perspectives on the East Asia Summit, and its attempts to revive open regionalism as a conjunction of globalism and regionalism. Japan's approach to regionalism has been centred on what we call 'open regionalism'. As this paper presumes, an open regionalism is symbolised and represented in Japan's unique approach to regional governance that attempts to bridge the tension between globalism and regionalism. The aim of this paper is, therefore, to conceptualise the complex interplay between open regionalism and regional governance as initiated by Japan. By investigating Japan's political discourses on domestic and foreign policies, this paper attempts to describe Japan's open regionalism towards the Summit and towards the East Asian Community as a revival of open regionalism, and to investigate its impact on regional governance. The chief hypothesis is that Japan's perspectives on the East Asia Summit can be seen as a resurgence of open regionalism discourses, and that discourses have been Japan's typical approach to regional governance. For the purposes of examination, this paper assesses, with reference to Peter Katzenstein's porous regionalism and T. J. Pempel's geopsychology, a framework of Japan's open regionalism in relation to its regional governance and contemporary Asian regionalism. The paper is organised into five parts: the first part theoretically and systematically reviews Japan's approach to open regionalism and regional governance; the second part briefly overviews the East Asia Summit; the third and fourth parts examine the domestic political context, centred on Japan's EPA policies, and then Japan's foreign policy discourses toward the East Asia Summit; finally, the fifth part then evaluates a resurgence of open regionalism and Japan's perspective on the East Asia Summit and its theoretical implications for regional governance.

KEYWORDS: Globalism, Regionalism, Asianisation, Geopsychology, East Asia Summit

### Introduction

It has been argued that the Asian financial crisis in the late 1990s accelerated a tide of Asian regionalism: Asia is much more regionalised than before, and the highlight of growing Asian regionalism is the East Asia Summit that was launched in 2005. However, East Asian regionalism is not a single path. Like all other regional bodies in history and in other continents, different countries in East Asia bring different intentions and interpretations to the Summit. In this context, Japan's position at the East Asian Summit has been unique in the sense that it attempts to bridge a gap between regional institutions and existing global principles. This mediation between globalism and regionalism can be seen in most of the Japanese approaches to regional diplomacy. That is, the typical approach for Japan regarding regional governance is to be mediator to the tension between globalism and regionalism.

The aim of this paper is to uncover Japan's unique approaches to regional governance that mediate regional institutional buildings and global principles, by focusing on Japan's perspectives on the East Asia Summit. Therefore, this paper, by exploring Japan's perspectives on the Summit, tries to uncover the ambiguous conjunction between globalism and regionalism. Furthermore, Japan's political positions, wavering between globalism and regionalism, have been differently articulated by different ministries of the government. In other words, different ministries (such as the Ministry of Foreign Affairs, the Ministry of Economy, Trade and Industry, the Ministry of Finance, and the Ministry of Agriculture, Forestry and Fisheries) have interpreted globalism and regionalism differently, which influences their notion of the 'East Asia Summit'. In addition to the bureaucratic power politics, there are several individual politicians making different remarks regarding the Summit. This paper therefore focuses on Japan's position: the aim is to clarify Japan's perspective on the East Asia Summit by analysing the links between domestic and foreign policy, with reference to different interpretations of the East Asia Summit by different ministries and politicians.

These examinations will also be helpful in exploring Japan's approaches to regional governance: this reveals how Japan's foreign policies on regionalism have been constructed, or what sorts of political discourses are articulated in

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Japan's Asia policy. The typical feature that Japan has presented to East Asian regionalism can be defined as its broadness and openness of the membership. Against the backdrop of a close sense of regionalism, which implies that membership in the East Asia Summit has to be limited to the ASEAN Plus Three countries, Japan has, from the early stage, argued for the inclusion of non-East Asian countries at the summit (e.g., Australia, New Zealand and India; even the United States of America).

This paper thus explores Japan's open regionalism and its regional governance, by investigating Japanese domestic and foreign policy discourses toward the East Asia Summit and East Asian community buildings. This paper unfolds the following five parts: the first part theoretically and systematically reviews Japan's approach to open regionalism and regional governance; the second part briefly overviews the East Asia Summit; the third and fourth parts examine the domestic political context, centred on Japan's EPA policies, and then Japan's foreign policy discourses toward the East Asia Summit; finally, the fifth part then evaluates the resurgence in open regionalism and Japan's perspective on the East Asia Summit and its theoretical implications for regional governance.

## 1. Open regionalism and regional governance

As mentioned in the Introduction, this paper assesses Japan's approach to open regionalism as a key component of regional governance. For the purpose of examination, this part of the paper theoretically analyses the interplay between open regionalism and regional governance. Governance is a booming word in any field of social science, but is difficult to properly define. There are different usages among many disciplines, such as international relations, comparative politics and public administration. Although coverage of all of the related literature on governance<sup>1</sup> is beyond the scope of this paper, Goran Hyden's conceptualisation is useful here. He regards governance as 'the stewardship of formal and informal political rules of the game. Governance refers to those measures that involve setting the rules for the exercise of power and settling conflicts over such rules'.<sup>2</sup> Accordingly, this paper defines regional governance as those patterns of behaviour used in managing regional politics in formal and informal ways. In other words, this paper attempts to examine how Japan's open regionalism guides its approaches to regional politics in formal and informal ways: it presumes that open regionalism has been Japan's typical approach to regional governance.

The question then arises as to how Japan's regional policies have been developed. In the history of post-war Japanese foreign policy, there have been three significant developments in Japan's commitment toward Asian regionalism. The first stage signified a revival of Asian diplomacy in the late 1970s, which was summarised in the so-called Fukuda doctrine. This policy tried to construct a 'heart-to-heart' dialogue with other Asian countries, especially Southeast Asian nations. Although it is possible to regard the Fukuda doctrine as a forerunner to Japan's regionalism, the regionalism at that time was limited and intended to supplement Japan-U.S. diplomacy.

The second stage is summed up by the so-called 'open regionalism', which was positively advocated by Japanese foreign policy in APEC (Asia-Pacific Economic Cooperation). Open regionalism, which reflects the diversity of member countries (North and South America, East Asia, and island nations), attempts to adjust clashes of interests among members. Although APEC initially succeeded in that respect, and committed to global free trade principles in the early 1990s, the clash of interests, especially between East Asian and North American states, has gradually sharpened since the middle of the 1990s.<sup>3</sup>

The third stage began with the Asian financial crisis of 1997–8. From the financial crisis onwards, Japanese foreign policy has drastically shifted its commitment on regionalism and has now become much more regionalised than in any other decade in the post-war period. The best examples include the proposal of the Asian Monetary Fund, the Chiang Mai Initiative and the organised framework of the ASEAN Plus Three. Japanese commitments to East Asian regionalism have sharply increased. Today, East Asian regionalism could be said to be one of the main policies, both domestic and foreign, of Japan. Needless to say, a dramatic increase in intra-regional trade within the region, and numerous FTA's (Free Trade Agreements) across the region, can be indicators of the regionalisation of East Asia. In other words, there has been a broad agreement on Asian regionalism among Asian states and societies at the macro level and, in accordance with this agreement, numerous individual FTA's and regionalised economic activities have materialised.

Throughout these three periods, open regionalism, as a mediator between global norms and regional politics, has played a vital role in Japan's approach to the region, despite its variations in each period. The strongest motivation for Japan to pursue open regionalism is that Japan needs to develop regional cooperation with its Asian neighbours while maintaining its valuable alliance with the United States. Open regionalism, therefore, has been a useful diplomatic concept for mediating between global principles (democracy and human rights) and regional agendas (FTAs, regional institutional buildings and any other regionalism agendas). In other words, from the perspective of open regionalism, both Asian regionalism and the Japan-U.S. alliance have never been mutually exclusive, but rather, have been harmoniously combined and have complemented one another.

These regional frameworks that Japan has posed can perhaps be developed from the available theoretical literature.<sup>4</sup> Japan's perspective on the East Asia Summit and Japan's version of open regionalism might best fit in with porous regionalism, as theorised by Katzenstein<sup>5</sup> and Pempel's geopsychology.<sup>6</sup> Therefore, this part of the paper firstly reviews Katzenstein's notion of porous regionalism (with Pempel's concept of geopsychology) as a theoretical framework, and then examines how to employ critical discourse analysis to measure it.

Porous regionalism is a phrase created by Peter Katzenstein that describes a complex relationship between globalisation and internationalisation. He distinguishes globalisation and internationalisation in the following manner. While globalisation refers to 'a process that transcends space and compresses time', internationalisation signifies 'a process that refers to territorially based exchanges across borders'.<sup>7</sup> Accordingly, he regards globalisation as a trans-territorial term (otherwise, de-territorialisation) and internationalisation as a territorial term. By porous regionalism, Katzenstein means regionalism 'made porous by' globalisation and internationalisation.<sup>8</sup> This means that regionalism represents two contradictory functions. On the one hand, regionalism articulates regional identity and makes a border for inside members. On the other hand, regionalism is not isolationism: it is also closely connected with globalisation. Therefore, Katzenstein maintains that processes of regionalism 'move and alter borders while stopping short of global scope'.<sup>9</sup> These theses are very helpful for understanding the nature of Asian regionalism in a globalising world. Although the tide of regionalism has been intensified in East Asia, it does not mean regional isolationism or regional autarchy, such that Asian countries would close the door to the outside world. Rather, Asian countries selectively and strategically combine global political and economic principles with Asian regional and particular practices, in political, economic and socio-cultural spheres. In this sense, *Globalisation versus Asianisation* is only one side of the coin. At the same time, it also propagates *Asianisation via Globalisation*.<sup>10</sup> Therefore, Katzenstein is right when he says 'Japan seeks to meet the requirements of internationalism within an evolving nationalist frame'.<sup>11</sup>

Pempel has argued this structure in a different way. On the one hand, he stressed that regions are articulated by 'not only geographic but also geopsychological'<sup>12</sup> factors. This means that regionalism has not been fixed by geography, but by an imaginary construction with reference to the region, which he calls geopsychology. On the other hand, different and sometimes contradictory maps coexist and are articulated in the discourses about regionalism. Pempel argues that '[n]o single map of East Asia is so inherently self-evident and logical as to preclude the consideration of equally plausible alternatives'.<sup>13</sup> Borrowing Pempel's conceptualisations, two different maps can be combined: the map of globalisation and the map of East Asian regionalism. These two have not been in conflict in nature, but incorporate one another.

From this point of view, Japan's perspective on open regionalism and its approach to regional governance would be the best test case of porous regionalism and geopsychology. On the one hand, Japan's proposed membership in the East Asia Summit does not limit it to interaction with East Asian members. This means that Japan's geopsychological region has not been restricted by the geographical boundary of East Asia: its geopsychological region has been re-considered. On the other hand, as a logical connotation of the former, Japan's version of open regionalism is always porous regionalism, because Japan's open regionalism is not restricted to East Asian members and it is always linking intra-region and extra-region (it is also a combination of national and transnational, and at the same time, territorial and extra-territorial practices). In other words, Japan's open regionalism has connected not only with Asian regionalism but also with the internationally developed global political principles.<sup>14</sup>

## 2. An overview of the East Asia Summit

The previous part of the paper has reviewed the interplay between open regionalism and regional governance from theoretical perspectives: porous regionalism and geopsychology. This part of the paper now turns to overview the nature of the East Asia Summit.

It has been argued that the Asian financial crisis and the formation of the ASEAN+3 in the late 1990s has been a key vehicle in accelerating East Asian regional cooperation. One of the climaxes of East Asian regional cooperation, as mentioned above, is the East Asia Summit (sometimes called the ASEAN Plus Six).<sup>15</sup> While the East Asia Summit was not officially launched until 2005, a demand for an inter-governmental summit at the East Asian regional level had been already considered soon after the Asian financial crisis at the end of the 1990s.

In 1999, the ASEAN Plus Three Summit agreed on the Joint Statement on East Asian Cooperation, and in 2000, the ASEAN Plus Three Summit discussed the possibility of an East Asia Summit, which was the first reference to a region-wide regular meeting among heads of governments. The East Asian Vision Group (EAVG) of 2001, and the East Asian Study Group (EASG) of 2002, also portended the prospect of the East Asia Summit. The first East Asia Summit was held in Kuala Lumpur, Malaysia, in December 2005. Member countries consisted of 16 countries, including the ASEAN member countries (the ASEAN 10), Japan, China and Korea (as the Plus Three countries), and Australia, New Zealand, and India. Furthermore, Japan proposed the Comprehensive Economic Partnership in East Asia (CEPEA) in 2006. A consistent element of the proposal was to widen Economic Partnership Agreements (EPAs) in the region as a whole, and to construct a mature bloc of political and economic cooperation within the member countries of the East Asia Summit.

The East Asia Summit has reflected Japan's perspective on regionalism at large. On the one hand, an East Asian regional cooperation has developed as openness in nature, by involvement within and beyond the region that includes non-East Asian members, such as Australia, New Zealand and India. Japan's approaches to the Summit, on the other hand, have been based on the principles of open regionalism, with respect to universal values of democracy and human rights. The Kuala Lumpur declaration also maintains 'that the East Asia Summit will be an open, inclusive, transparent and outward-looking forum in which we strive to strengthen global norms and universally recognised values, with



ASEAN as the driving force, working in partnership with the other participants of the East Asia Summit'.<sup>16</sup> Needless to say, the Kuala Lumpur declaration represents a repetition of Japan's open regionalism thesis in many ways. While the ASEAN has been a driving force of the Summit, it has to be open, inclusive and transparent so that it strengthens global norms and universal values.

The second meeting of the Summit has held in January 2007 in Cebu, the Philippines. The Chairman's statement argues that '[w]e recognized our progress in building confidence among EAS participants and encouraged an open and continuing exchange of views on issues of strategic importance to the region',<sup>17</sup> while it also maintains the ASEAN as the driving force of the East Asia regional cooperation. Similarly, the Chairman's statement would be twofold: on the one hand, the ASEAN would be a driving force of the Summit, and on the other hand, it stresses an open and continuing dialogue among the member countries. This signifies that the EAS would be compatible with global norms and universal principles, while the ASEAN would play a driving role in the summit. It seems to be a logical consequence of open regionalism: it is open to global and universal principles, while it is still regional and based on East Asian members.

The third Summit was held in November 2007, in Singapore. Japanese Prime Minister Yasuo Fukuda, at that time, addressed a number of notable comments in the press conference. He stressed '[a] peaceful and prosperous Asia, an open Asia'. Accordingly, an open Asia has been 'in the interest not just of Japan but of Asian countries as a whole, and of the entire international community including the United States of America'. Fukuda attempted to bridge the gap between the United States and Asian neighbours, and maintained that '...the Japan-US alliance will be conducive in expanding the scope of activity for Japan in Asia, and also good Japan-Asia relations will be beneficial for the Japan-US alliance as well. On the basis of this philosophy, we shall further advance Japan's diplomacy vis-à-vis Asia'.<sup>18</sup>

Fukuda's comments were rather challenging. His stress on a peaceful, prosperous and open Asia signifies not only interests for the Asian region but also for the international community as a whole. In other words, it is in accordance with global and universal principles that East Asian regionalism is not regionalism for Asia in narrow ways; rather, it is a regionalism that contributes to the international community. Therefore, his comments that both Japan-Asia and Japan-U.S. relations would be compatible are not surprising. By inserting global and universal norms such as openness, inclusiveness and transparency, the East Asian regionalism can be seen as not only about the interests of Asian countries but also about their contribution to the international community, which includes the United States.

Thus, this part of the paper briefly overviews the key discourses on the East Asia Summit and confirms that the logic of the Summit has in many ways been compatible with Japan's agenda of open regionalism, in that it mediates the tension between global principles and regional institutional building, and/or between Asian neighbours and the United States.

### 3. Domestic political context of Japan's Regionalism

The previous part overviews the logic of the East Asian Summit and its relationship with Japan's open regionalism. The next two parts of the paper also examine the domestic and foreign policy contexts of Japan's regional governance, therefore, this part will now explore domestic political developments in regionalism.

Since the late 1990s, Japanese economic diplomacy has sought regional coordination of FTA's (Free Trade Agreements) and/or EPA's (Economic Partnership Agreements), due to the difficulties in promoting negotiations in the World Trade Organisation (WTO) and its decrease in mobility. In this context, the MOFA (the Ministry of Foreign Affairs) and the METI (the Ministry of Economy, Trade and Industry; the former MITI, Ministry of International Trade and Industry) have developed different notions of regionalism. The MOFA, on the one hand, believes that the main driver of the global political economy has been the WTO; while the FTA and EPA have allowed only a supplementary role for the WTO. From this point of view, regionalism is just one of the tools to realise globalisation. However, the METI, on the other hand, has stressed the balance between the WTO and FTA/EPA policies: commitments to the global economy should be equal to regional economic cooperation. While the METI maintains a position that balances between global and regional commitments, it is also open to East Asian regional integration as a future goal. Although there are clashes in conceptualising and defining regionalism between the two ministries, they properly and positively appreciate regionalism and bilateral FTA's.

From 2001 onwards, the MOF (the Ministry of Finance) and the MAFF (the Ministry of Agriculture, Forestry and Fisheries) have participated in this debate on regionalism. In other words, the discourses on institutional/structural reform (argued by the MOF and the MAFF) have become part of the traditional axis between international politics (initiated by the MOFA) and international economy (by the METI). This means that, while EPA's have traditionally been foreign policy matters, they have also given rise, in the context of domestic affairs, to what we call structural reform.

These ministerial interests and arguments are adjusted in the Council on Economic and Fiscal Policy (CEFP). The CEFP was established by a restructuring of national administrative offices in January 2001, and has been a consultative organ placed within the Cabinet in order to facilitate economic and fiscal policy formation. Within the CEFP, the Working Group on Economic Partnership Agreements and Agriculture (WGEPA), which was set up as a subordinate

organ to the Expert Committee on Reforms Addressing Globalisation (ECRAG), has the role of examining the EPA policies.

The WGEPA published its first report in May 2007.<sup>19</sup> The report argues that Japan should deploy a "proactive economic diplomacy" that includes a contribution to a global free trade system.<sup>20</sup> Accordingly, strategic and accelerated EPA policies play a key role in developing proactive economic diplomacy. As a policy objective, the report proposes to complete the network of EPA's in East Asia as a whole, as quickly as possible. It also suggests that a wide range of regional EPA's be instituted at the level of ASEAN Plus Three, ASEAN Plus Six, and the FTA-AP (APEC-wide FTA).<sup>21</sup>

In the matter of structural reform, the ECRAG, a superstructure of the WGEPA, provided an ambitious report entitled 'Utilizing the Vitality of Globalization to Enhance Growth'.<sup>22</sup> The entire tone of the report is that EPA policies prevent an industrial decline and revitalise the Japanese economy. This is because strategic EPA policies expand exports to Asian countries, Japanese corporations increase their domestic production, and this prevents an industrial decline and re-activates local economies. Profits on accelerating overseas investments return to Japanese domestic markets, and an expanding market will improve the productivity of domestic enterprises and increase consumer benefits. The report also argues that Japan should build a comprehensive EPA network with strategically high priority countries, since the EPA agreements guarantee a stable supply of resources from the viewpoint of energy supply.

Furthermore, 'Strategy in the Globalizing Economy',<sup>23</sup> published by the CEFP, also maintains that positive promotion of East Asian EPA's has been not only significant in economic security, but has also been in the economic interests of individual nations. Therefore, there is a dual effect on domestic and international discourses of regionalism. Japan's regionalism and EPA policies can be seen as a conjunction of domestic and international political contexts. It has been argued that the EPA policies complement the WTO system of global free trade principles, and that a multilateral trade organisation like the WTO justifies individual EPA policies. Another way of saying this is that international contexts determine domestic contexts. On the other hand, individual EPA policies themselves are incorporated into the discourses of domestic structural reform. The best examples of these are arguments that strategic EPA policies prevent industrial decline, activate and reconstruct the national economy, and contribute to a stable supply of energy.

In reality, it is more than a linkage of domestic and international discourses. The EPA strategy also connects regionalism discourses, such as the ASEAN Plus Three and the APEC. That is to say, EPA discourses are located at global, regional and national levels; each level is complemented by and inter-linked with another. As it is connected with Japan's foreign policy discourses, the Japanese domestic economy needs to link not only to the regional but also to the global market. This means that Japan's domestic and foreign policies are inter-connected and cannot be concentrated on the regional economy alone. Therefore, Japan's open regionalism has to focus on not only Asian regionalism, but also the Japan-U.S. economic alliance that might influence Japan's wider understanding of its membership of the Summit.

### 4. Japan's perspectives on the East Asia Summit

The previous part of this paper examined regionalism and the EPA policies from the perspective of different Japanese ministries. The following part of the paper now continues with an examination of Japan's foreign policy discourses and uncovers the Japanese perspective on the East Asia Summit.

#### 4.1 Koizumi Doctrine

When Prime Minister Junichiro Koizumi visited the ASEAN nations, he proposed a future partnership between Japan and the ASEAN nations whilst visiting Singapore as the final country on his trip; this has become known as the Koizumi Doctrine. Koizumi visited Singapore in January 2002, and he referred positively to the Fukuda Doctrine of 1977 as stressing 'equal partnership and heart to heart understanding'.<sup>24</sup> Accordingly, the objective of East Asian cooperation should be to create a 'community that acts together and advances together' through, as the first step, making the best use of the framework of the ASEAN+3.<sup>25</sup> Furthermore, the East Asian community should, by no means, be an exclusive entity, because this regional community would be founded on a close partnership with those outside the region.<sup>26</sup> Koizumi also mentioned domestic structural reforms in Japan, and emphasised that, in the globalised world, Japan's substantive reforms and the recovery of Japanese economic dynamics would also bring benefits to the ASEAN countries.<sup>27</sup>

These discourses have also repeated the open regionalism thesis that attempts to bridge the tension between globalism and regionalism. Although the ASEAN+3 would be the centre of the East Asian community, the community has never been an exclusive entity but maintains close partnerships and dialogues with the outside world. In more detail, the speech suggests two things. First, Japan's foreign policy on regionalism is connected with its domestic reforms. In other words, regionalism can be seen as a political force that accelerates domestic structural reforms. Second, from Japan's perspective, Asian regionalism has not been restricted to Asian members. Due to its deep engagement in the global economy, Japan's regionalism has to be linked to non-Asian members, especially the United States.



Likewise, Foreign Minister Yoriko Kawaguchi visited Phnom Penh, Cambodia in 2003. While she firmly insisted that 'the diversity and traditional spirit that each ASEAN member embraces and produces the collective strength of ASEAN',<sup>28</sup> she suggested three pillars for the East Asian community. These three pillars should be, according to her description, 'filling economic gaps and enjoying prosperity', 'reassuring human dignity', and 'fostering democratic and stable governance'.<sup>29</sup> Above all, the second pillar of human dignity signifies a universal agenda of human dignity and concerns warfare, mass murder, unexploded bombs and terrorism that used to tear apart the communities and the peoples of the ASEAN.<sup>30</sup> The third pillar, of fostering democratic and stable governance, while admiring the diversity of the ASEAN countries, emphasises and shares the universality of democratic norms as a reliable ideal and guiding principle. That is, along with the Koizumi Doctrine, Kawaguchi's speech has also coincided Asian regionalism with global principles. With an emphasis on democratic and stable governance, she would maintain that the East Asian community is not merely regionalism but a contribution to global and universal agendas. Kawaguchi mentioned that '... Japan endorses your painstaking efforts to foster good governance in accordance with such fundamental values as freedom, democracy and the rule of law, which my country also embraces as its guiding principles'.<sup>31</sup> It could be another feature of Japan's regionalism that it emphasises global principles, such as democracy and humanity. As mentioned above, Japan's regionalism has to be linked with the global political economy. This means that regionalism has to have a global rationality that fits with global principles.

The Japan-ASEAN Commemorative Summit was held in Tokyo in December 2002. The Summit was historically the first meeting when all the heads of governments in the ASEAN gathered outside the ASEAN region, and the Tokyo Declaration was adopted at the end of the Summit. The Tokyo Declaration incorporated a number of themes set out by the Koizumi Doctrine, and clearly mentions the continuity between the Fukuda Doctrine of 1977 and the Koizumi Doctrine of 2002. The Doctrine looks back on the confidential partnership between Japan and the Southeast Asian nations and positively refers to both Doctrines, claiming as follows: '... the 'heart to heart' understanding, nurtured among peoples of Japan and Southeast Asian countries and based on mutual trust and respect, has developed into the 'acting together, advancing together' partnership which is the foundation for our future relations'.<sup>32</sup> The Declaration also prioritises 'natural economic complementarities' and 'social and cultural affinities',<sup>33</sup> and maintains to construct the East Asian community 'in a just, democratic and harmonious environment'.<sup>34</sup>

Similarly, the declaration is twofold, by balancing between universal and Asian principles. An emphasis is given to 'enhance their cooperation through closer consultation and adherence to the principles enshrined in the Charter of the United Nations and international law', while claiming the common features and characteristics of Asian regionalism, represented by 'principles and spirit of the Treaty of Amity and Cooperation in Southeast Asia, including respect for national sovereignty and territorial integrity, renunciation of threat or use of force, peaceful settlement of disputes, and non-interference'.<sup>35</sup> Similar phases continue in the rest of the declaration that stress respect for global and universal norms such as the rule of law, protection of fundamental human rights, and a market economy. These would be the universal aspects of East Asian community building.

Japan and ASEAN will forge common visions and principles, including respect for the rule of law and justice, pursuit of openness, promotion and protection of human rights and fundamental freedoms of all peoples in accordance with the Charter of the United Nations, the Universal Declaration of Human Rights, and the Vienna Declaration and Programme of Action, promotion of mutual understanding for cultures and civilisations, and enhancement of mutual benefits of [a] market economy.<sup>36</sup>

These statements show the dual strategy of the declaration. The declaration attaches great importance to regionalism and regional solidarity, while following global and universal principles. This is, needless to say, a repetition of open regionalism: promoting economic cooperation within the region while obeying the law of global liberalisation of free trade. This leads to the guideline that precedes East Asian community building, balancing between global principles and Asian regionalism. The declaration emphasises on 'upholding Asian traditions and values, while respecting universal rules and principles'.<sup>37</sup>

As examined above, the Koizumi doctrine can be seen as a purely repetition of the open regionalism theses, by balancing between global norms and principles on the one hand, and Asian regional particularities on the other. This benchmark of Japan's open regionalism has continued following Japan's perspectives on the East Asian community.

#### 4.2 Issue Papers

In May 2005, the Japanese government submitted Issue Papers in the ASEAN+3SOM (ASEAN Plus Three Senior Officials Meeting).<sup>38</sup> The Issue Papers consisted of three individual papers: 'East Asian community'; 'functional cooperation'; and 'East Asia Summit'.

The first paper, on 'East Asian community' suggests three methods for community building: the functional approach, the institutional approach and a sense of community.<sup>39</sup> Not least, this paper emphasises that the creation of a 'sense of community', a shared identity of being East Asian based on common values and principles, might be the most challenging and inventive step for community building. This is because East Asia is too diverse to share many common values. The paper voices concerns as follows:

Even on universally recognized principles, like democracy and human rights, our positions sometimes differ. Asian values and traditions may also provide certain grounds for commonness. But they are often shared only among people of the same ethnic and other belongings.<sup>40</sup>

The second paper, on functional cooperation, mentions 'openness' and 'flexibility' as the pillars of functional cooperation.<sup>41</sup> It puts a priority on network building to connect the functional cooperation and community building mentioned above. Accordingly, a network can 'provide increased opportunities for people-to-people contacts, through which a sense of closeness could be forged amongst people in the region'.<sup>42</sup> Network-making through functional cooperation could be, as this paper assesses, the 'enmeshment process' that is essential for community building in East Asia, and that 'a sense of community should be forged through increased intra-regional interactions'.<sup>43</sup> The third paper, on the East Asia Summit, also regards the Summit as a significant institutional framework in building an East Asian community.<sup>44</sup>

Prime Minister Koizumi delivered an address in the General Assembly of the United Nations in September 2004, and proposed the idea of an 'East Asia Community' building upon the ASEAN Plus Three.<sup>45</sup> In a policy address to the Diet in the early 2005, Koizumi also repeated the principle mentioned above that conjoined following global norms and harmonising Asian regionalism.<sup>46</sup> In fact, Koizumi developed this and went further to propose an 'open' East Asian Community that has to be compatible with 'the liberalization of the global trade' and the 'WTO new round negotiations'.<sup>47</sup> The 'open East Asian Community' would be another way of saying of 'open regionalism'. Accordingly, the East Asian community has to be shared economic prosperity and push forward the liberalisation of global trade.

#### 4.3 Taro Aso's Diplomatic Discourses

A series of speeches by Foreign Minister Taro Aso are also thought-provoking. His speeches, given mostly between 2005 and 2006, might express Japan's unique perspective on the East Asia Summit.

In December 2005 at the Foreign Correspondents' Club of Japan, Aso spoke of the East Asia Summit as 'an open gathering of leaders', and the East Asian Community stepping forward in an 'open form of cooperation with various partners'. He also appreciated the participation of non-East Asian countries: Australia, New Zealand and India, since they share the fundamental values of democracy and a common dream for the future of Asia.<sup>48</sup>

In May 2006, Aso visited Washington D.C. and positively emphasised the active role, especially the 'irreplaceable' place, of the Japan-U.S. Alliance in the formation of an East Asian community.<sup>49</sup> That is to say, since it essentially requires a regional framework of collective security in each country to build a prosperous and stable East Asia, the Japan-U.S. Alliance plays a continuously vital role in maintaining this type of collective security framework. Therefore, he said, the Japan-U.S. Alliance has been 'the cornerstone for East Asia's post-war peace and prosperity'.<sup>50</sup> He also emphasised the significance of the following three factors as meaningful for East Asia's future: to promote freedom, democracy, a market economy, the rule of law, and respect for human dignity; to fight against narrow minded nationalism; and to increase transparency and trust, and thus predictability in the field of economic, political and military affairs in Asia.<sup>51</sup>

In a conference with the Nikkei Newspaper, Aso defined Asia as 'a network which is always developing',<sup>52</sup> and stressed its openness and freedom.

And so I say to you here today that the Asia of the future must not get entangled in the mold that forms nation states, nor in the trap that is nationalism. What has made Asia quintessentially Asia is its free and open network, and it is imperative that we make that network more flexible and yielding in the future, as well as even more dynamic.<sup>53</sup>

In November 2006, Aso went further to deliver his famous speech on the 'Arc of Freedom and Prosperity'.<sup>54</sup> In this speech, Aso introduced the concepts of 'value oriented diplomacy' and 'the arc of freedom and prosperity': the former implies an emphasis on universal values, including democracy, freedom, human rights, the rule of law and the market economy as diplomatic endeavours; the latter signifies that while maintaining the universal notion of value oriented diplomacy, there should be 'successfully budding democracies that line the outer rim of the Eurasian continent, forming an arc', that covers Northeast Asia, Cambodia, Laos, Vietnam, Central Asia, Caucasus, Ukraine, Turkey, Middle and Eastern Europe, and the Baltic nations.<sup>55</sup>

By the same token, the policy paper by the MOFA published by November 2006,<sup>56</sup> noted three fundamental points. The first point is that the East Asian Community has to be based on open regionalism that ensures openness, inclusiveness, and transparency. This means that membership in the community is not limited to the ASEAN Plus Three countries (ASEAN countries, Japan, Korea and China), but should expand into non-East Asian countries, including Australia, New Zealand, India and the United States as important partners in any functional cooperation. On the basis of the open regionalism principle, the second point is the functional cooperation that considers the diversity of the region. The third point stressed is respect for universal values and following global rules: the former include democracy, liberty and human rights; the latter may focus on global free trade principles such as the WTO's norms and principles.



In August 2007, Prime Minister Shinzo Abe visited Indonesia, and strongly and positively praised the "unity in diversity" of the ASEAN countries.<sup>57</sup> He maintained that "...the progress of ASEAN over 40 years has gradually given rise to a collective self-portrait of ourselves as 'Asians' that transcends national borders, and it has forced the world to recognize this identity".<sup>58</sup> Furthermore, he firmly advocated "openness" and "innovation" as operational logics of the Asian community that make the state, society, market and economy open, eager to absorb energy from the outside world, and enthusiastic about new methods and new ideas.<sup>59</sup>

The above series of Japanese discourses suggests Japan's unique position regarding regionalism. There are three remarks to these discourses. Firstly, Japan's regionalism has mostly stemmed from demand for domestic structural reforms: Japanese foreign policy has been heavily influenced by its domestic condition. Secondly, as Japan's regionalism cannot be an exclusive version of Asian regionalism, Japan's discourses have strongly stressed the inclusion of non-Asian members. This is because Japan's political and economic strategy has to fit in with global and regional principles. Finally, by combining the second point, Japan has to advocate the "openness" of regionalism. Only an inclusive version of Asian regionalism has been incorporated with Japan's national interests.

## 5. Resurgence of Open Regionalism

The previous part of the paper has reviewed Japan's perspectives and discourses on the East Asia Summit and the East Asian Community. This part now turns to examine the discourses on the East Asia Summit and the East Asian Community that represent Japan's unique approaches to regional governance and that blend regional institutional mechanisms and global principles.

The investigation reveals that Japan's discourses can be seen as a repetition of open regionalism. Japan's discursive practices have featured the principles of open regionalism in different phases. Japan's stance has been to stress 'openness' and 'inclusiveness' of regionalism, rather than the close or narrow versions of regionalism. Because Japan has attempted to bridge the gap between global principles and regional institutional buildings, it signifies that East Asian regionalism and the East Asian community have to be open and inclusive. The 'openness' and 'inclusiveness' imply one and the same: against a tide of close and exclusive regionalism, the East Asian community would be open and inclusive to non-members and also incorporated with global principles. In accordance with global norms and universal values, the East Asian community would be open, inclusive and transparent to the outside world. It means that the East Asian Community is not a community for Asian members only, but also a respecting and contributing entity of the international community. Therefore, Japan's discourses have been a balancing between regional institutional building and global and universal norms and principles.

Coinciding with the Katzenstein's porous regionalism, territorial based internationalisation and extra-territorial globalisation have to be incorporated into Japan's discourses. On the one hand, Japan's approach to regional governance is incorporated with global norms of democracy, human rights and free trade principles. In other words, the universal nature of Japan's open regionalism is harmonised with the extra-territorial bases of globalisation. On the other hand, Japan's open regionalism would be still regionalism, in that the ASEAN+3 has been centred on the East Asian Community that relies on a territorial basis of internationalisation.

By Pempel's geopsychology, Japan's regional governance has incorporated with a globalist map that is compatible with global and universal norms, as well as with a regionalist map that stresses the territorial basis of East Asia. That is, Japan's approach to open regionalism and regional governance have harmonised between global and universal principles on the one hand, and on regional community building on the other. In this sense, the question of 'globalisation or regionalism' has been a false one for the East Asian Community. From the perspectives on Japan's regional governance, globalisation and regionalism (also Asian regionalism and the Japan-U.S. alliance) are not mutually exclusive but have been harmoniously combined to complement one another.

## Conclusion

This paper has examined the official discourses within the Japanese Government (ministerial and governmental level) and has clarified Japan's perspectives of the East Asia Summit. This examination has demonstrated that the regionalism discourses of Japan, according to cross analyses of domestic and external policies, have been not only foreign policy discourses, but have been gradually incorporated into domestic political contexts, as well as structural reform policies.

From this perspective of Japan's regionalism discourses, the East Asian Community cannot be a closed and exclusive form of regionalism, but it has to exist in the form of an open regionalism that can balance between global and regional contexts. That is to say, Japan, on the one hand, has positively committed to the formation of the regionalism that has emerged in East Asia. On the other hand, it has to be compatible with global standards and global norms. Therefore, Japan's version of the East Asia Summit is that it must be open and must gradually expand its membership from East Asian members towards non-members.

As discussed above, Japan's perspective on the East Asia Summit can be seen as a revival of open regionalism. Like open regionalism, the East Asia Summit, according to Japan's standpoint, has to be open, inclusive, and transparent. An

open East Asian Summit fits completely with Japan's foreign policy discourses: it commits to and initiates the formation of regionalism, while, at the same time, it propagates global principles of democracy and free trade.

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## Assessing the IMF Conditionality Programs: Implications for Governance of International Finance

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This paper focuses on the IMF in order to assess the degree to which international financial institutions can meet increasing expectations to stabilize the international financial system. To do so, this paper reviews prior studies of the IMF to examine how political factors affect the IMF's decision making and policy implementation of IMF programs. The IMF is not free from political interference. This paper also analyzes the IMF from two theoretical perspectives: the IMF as a bureaucratic organization and principal-agent relationships and the IMF. While the IMF makes various reform efforts, balancing the trade-offs between effectiveness and representation remains a difficult task given the sequential principal-agent relationships.

**KEYWORDS:** IMF, International Financial Stability, Global Financial Crisis, Global Public Goods

### 1. Introduction

According to Kaul *et al.* (2003), global public goods are defined as “goods whose benefits extend to all countries, people, and generations” (Kaul *et al.*, 2003: 95). The global financial crisis that was triggered by the sub-prime mortgage loan crisis in the US can be understood as a situation in which international financial stability as a global public good is undersupplied due to negative externality. Ordinary citizens are suffering from the deterioration in the real economy due to the global financial crisis which has been caused by lax regulations over various financial institutions and instruments such as hedge funds, credit rating companies, and credit default swaps. Hence, it is important to note that it is imperative to provide international financial stability for all countries, people, and generations. However, the question arises of how such international financial stability can be achieved.

In this paper, I define achieving the international financial stability via the efficient prevention of excess financial volatility through financial efficiency and enough prudent regulations by international and national policy makers as a global public good.<sup>1</sup> Under the condition that a world government does not exist, how can we provide international financial stability as a global public good? Specifically, can existing international financial institutions such as the International Monetary Fund (IMF or Fund) meet the demand to create better global financial governance in order to achieve international financial stability and prevent another global financial crisis in the future? This study focuses on the IMF as one of the most powerful international financial institutions. Approaching this topic from the viewpoint of international public policy, the study aims to analyze the extent to which the IMF can create better global financial governance and prevent another financial crisis.

The primary purpose of the IMF is to ensure the stability of the international monetary and financial system. In order to promote economic and financial stability, the Fund regularly monitors international and national economic policies. The IMF staffs discuss national economic policies with national authorities (known as Article VI consultation). The Fund also provides technical assistance in such areas as monetary and financial policies, fiscal policy management, statistical data management, and economic and financial legislation. In addition, in order to mitigate the balance of payment difficulties that member countries face, the IMF provides financial support to member countries. IMF financing is usually conditional upon the progress of economic policy reforms (known as conditionality programs). Because of the important impact of IMF conditionality programs on developing countries, the IMF tends to be heavily criticized by a range of researchers including both anti- and pro-neoliberal economic reformers.

One criticism, for instance, is the argument that the weighted voting system that the Fund adopts in making decisions lacks accountability (Woods, 2004; Stiglitz, 2003). In addition, Rodrick (2006) claims that applying similar conditionality programs to a wide variety of countries without regard for each country's peculiar situation has not produced the expected economic outcome for debtor countries. The IMF conditionality programs in the Asian financial crisis were particularly condemned by researchers because these programs themselves aggravated the crisis situation in recipient countries (Radelet and Sachs, 2001). Moreover, capital account liberalization which had been long advocated by the IMF had a destabilizing effect on the international financial system (Stiglitz, 2004).