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Barriers to Forming an East Asian Trade Bloc: China and Japan

Countries usually enter into trade agreements by forming blocs so that they can provide and benefit from preferential treatment in trade. The arrangement provides a country easier access to external investments removes trade barriers and facilitates better and greater movement of goods and money across national borders. The trade bloc commonly seeks to reap the benefits of significant economic advantages made possible through greater FDI flows (Foreign Direct Investment), economies of scale of production, more competition among manufacturers in nearby member countries, beneficial tariff regimes and more efficient markets. The most common types of trading blocs include the Preferential Trading Area (PTA), Free Trade Area (FTA), common market, customs union and the like. Generally, the formation of a trade bloc empowers the member countries with greater regional powers as also greater ability to negotiate with other trade blocs or international trade institutions like the World Trade Organization (WTO).

Is East Asian trade bloc a reality?

However, in spite of the obvious advantages of forming a regional East Asian trade bloc, it is strange that leading East Asian powers like China and Japan do not appear to be making any serious efforts to form such a regional trade bloc, if at all. That being said, it is also true that the advantage gained by regional powers in East Asia through forming trade blocs may not be felt to be appropriate by established super powers like the United States or the free

market organizations like the WTO. East Asian countries have long been trying to establish a broad regional economic or trade bloc. Association of Southeast Asian Nations (ASEAN) has actually been trying to achieve this during the past few decades. However, in spite of slow progress in this regard, the countries of this fast developing region has not been able to actually form a trade bloc as desired by many among them. It is necessary, therefore, to understand here what may have been the main factors which have negated all serious attempts to forge a regional East Asia trade bloc. Some of these factors are external to the East Asian region. Other factors relate to the rivalry between aspiring powers like China and Japan, the history of relations between neighboring nations marred by wars or conflicts, as well as general lack of trust and common ground between the regional powers.

Authoritarian government versus Democratic government

Kristof points to the so-called problem of memory that mars any close integration between traditionally estranged East Asian nations. Then memory of Japanese imperialism and their expansionist zeal during the World War II is still fresh in the minds of people in other Asian countries. 1 These countries still view Japan with suspicion. In their eyes, the Japanese leadership is still suspected with regard to their intentions and leadership ambitions. One aspect of the war has been the bitter memories that persist of the use of Korean women as comfort women and this still appears to any fruitful integration of trade between Japan and Korea as also between China and Japan. China is particularly viewed with suspicion because of its vast size

and resources as also its tendency towards regional hegemony. That country's repressive political regimes and tendency to evolve as big brother regional power have only compounded efforts to better integrate the East Asian neighbors into a trade bloc till now.

Government trust issue

Kikuchi points out that the East Asian region is full of many weak states that lack in sound political or economic systems and their economic institutions are also suspect. ² Hence, their inability to fall in line with requirements for greater regional integration is obviously one important cause for lack of concerted efforts to form a trade block in the region. Things are compounded also by the fact that few nations in the nations feel it necessary to take their people into confidence on each and every critical aspect of governance. Many regimes are repressive and undemocratic. Very often, therefore, the government policies are at divergence with the people's aspirations and the ruling regime resort to repression, censorship as also other forms of curtailment of civil rights and liberties so that a traditional form of imperialistic rule generally prevails.

Social disparities versus Economic cooperation

The countries of the region are also diverse in many ways. The ruling regimes have generally failed to address the issues in diversity and social disparities among nations and have only contributed to more suspicions among neighboring countries and hence lower cooperation between them. Thus, as compared with the countries within the European Union, for instance, few countries in East Asian appear to identify themselves as part of

a larger and mutually collaborative East Asia region or trade arrangement. Again, the economic situation in the East Asian nations is such that rather than going in for full regional integration, most of the leading nations in the region still appear to favor bilateral economic cooperation. One major reason for this approach is that even today, the western countries like the United States (US) greatly influence the political and economic policies of these countries. Most of the East Asian nations rely on FDI inflows and foreign trade coming from western nations, particularly the U. S. This explains why countries in the region still look towards the western extra-regional markets instead of forging themselves into a trading bloc permitting of closer economic cooperation among them .

Munakata, Naoko. *Has Politics Caught up with Markets? In Search of East Asian Economic Regionalism*. New York: Cornell University Press, 2006.

Divided between the U. S. and China

The role of regional powers like China and Japan and their inter-relationships is an important factor that has prevented these countries from participating in closer regional economic cooperation and makes them shy away from forming a trade or economic bloc of regional nations. Morrison reports that the region actually lacks institutions like the European Union which are instrumental in building greater trust and the individual economic growth strategies of powers like China only factors in the need for self-growth as a regional power. China well realizes that the U. S. is the defining international superpower which it cannot hope to counter through a regional coalition of powers or even through a regional economic bloc of nations. China

recognizes that the U. S. will remain the only international power at least for several more years and it will also remain as the only international hegemonic superpower. 3

Is the U. S. responsible of the disputes in East Asia?

The U. S. has contributed to the lack of concerted efforts of the East Asian regional nations to form a regional trade bloc. The USA has all along frowned upon any initiatives towards greater integration of the East Asian nations. 4

The U. S. also recognizes the fact that closer economic integration of the regional powers like Japan and China is difficult to achieve. This is because of the open lack of trust and conflicts between two traditionally warring nations driven by individual political and economic aspirations and hegemonistic attitudes. Rozman notes that the situation is compounded by the tendency of the northern East Asian countries to 'ape' the western countries; these nations seek to be competitive and are intensely nationalistic so that they try to avoid any measure that they see as compromising on their sovereignty. This also includes their aversion to do anything that can benefit their neighbors.

The differences between China and Japan

Bergsten observes that the differences between the East Asian powers like Japan and China in economic and political characteristics supplement the traditional rivalry that exists between these nations. The differences cannot be more prominent. For instance, Japan has been a democracy for the past several decades although China has always been subject to authoritarian rule. Suspicions of China's military and political designs are also well known.

Japan and China are the only two countries in the region that are more rivals than economic collaborators. They do not want to adopt a common exchange rate regime, which is an important requirement for satisfactory economic integration.

As stated before, most regional countries view Japan with suspicion and China's intentions are suspect. Culturally, the countries are also poles apart. Without common grounds like cultural, political or economic similarities, it is difficult to integrate the regional nations, let alone form a separate regional trade bloc that can attend to their individual and collective aspirations. Again, as borne out by the success story of the European Union (EU) and the North Atlantic Treaty Organization (NATO) models of integration, a basic need is for more democratic institutions in a regional country so that a larger closely cooperative economic forum like the trade bloc can result and effectively function for the mutual benefit of member nations.

Bergsten, C. F. *The New Asian Challenge*, Institute for International Economics. Institute for International Economics, 2000.

Are there aliens or enemies?

Perhaps, the causes of the failure of East Asia to forge together a regional trade bloc has more to do with external factors than internal reasons. A primary factor is the role of the U. S. in a unipolar world where it is the only superpower in the international political arena. The U. S. has clearly defined long term economic interests in regions beyond its own borders and is driven in its trade strategies by a declining home economy and need for survival.

The most crucial interests of the United States include maintaining status quo with regard to its power to influence decisions made by East Asian governments, its security concerns that need the support of the regional nations as also its perceived desire to protect and further its own economic interests in the region as elsewhere. 5

The Economist even went as far as to state that the U. S. would do all it felt necessary in order to retain its influence over events in the East Asian region. Again, the western nations still view China with deep suspicion although there is very little that the industrialized countries can do when China often appears to be crossing the line, so to speak. 6 China on its part, feels that the U. S. and other western nations may even launch a US-led coalition for constraining Chinese interests in the region and the world. However, China has, instead of more regional cooperation, has actually been intent on playing a more intense mediating and bilateral role in the region. 7 This essentially puts paid to whatever efforts other nations of the region may be considering for greater regional integration and a possible regional trade bloc benefiting them individually and collectively.

1. Kristof, *The Problem of Memory*, 37-49.
2. Kikuchi, *East Asian Regionalism*, 1-23.
3. Honghua, *The debate on Post Cold-War U. S.*, 3-22.
4. Katzenstein, *A World of Regions; Asia and Europe in the American Imperium*, 50-60.
5. Carpenter, *From Intervenor of First Resort to Balancer of Last Resort*, 294-295.

6. Economist, The. An Asian IMF?, 80.

7. Yunling, Z., and T. Shiping, China's Regional Strategy, 61.

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