

## REVIEW ESSAY

### *East Asian Economic Regionalism*

By Edward J. Lincoln

Brookings Institution Press (2004). 160 pp. \$22.95

REVIEWED BY ULRICH VOLZ

The worldwide trend toward economic regionalism, most distinctly embodied in the North American Free Trade Agreement (NAFTA), the European Union's Single Market, and the European Monetary Union, now seems to have arrived in East Asia, a region traditionally characterized by a lack of regional cooperation. The Asian financial crisis of 1997-98 marked a turning point in East Asian countries' attitudes toward regionalism, sparking greater political interest in economic cooperation and integration. The crisis revealed the fragility of the region's prevailing monetary and exchange rate arrangements, and led to the realization that a strengthening of the regional financial architecture was urgently needed. Particularly remarkable is the involvement of China, which is increasingly demonstrating its willingness to work in tandem with its neighbors and to accept responsibility for the region as a whole. Japan and South Korea have also shown a strong interest in fostering regional cooperation. Integration efforts, however, remain strained by tensions between countries, most notably between China and Japan, both of which claim a leadership role.

In his book *East Asian Economic Regionalism*, Edward J. Lincoln, a senior fellow in Asian and economic studies at the Council on Foreign Relations, asks why it is that the region has shifted from a global to a regional outlook and assesses how quickly and to what extent this new regionalism will progress. Ultimately, he aims his analysis at the probable impact of East Asian regionalism on U.S. economic and strategic interests and weighs whether the U.S. government should encourage or discourage East Asian economic integration. He expresses concerns that the United States will lose its economic and political influence in the region and that East Asia may drift away from its strong transpacific economic ties toward a regional economic identity that excludes the United States.

From the start, Lincoln is straightforward about his skeptical view of regional

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groupings in general and East Asian cooperation in particular. He argues that East Asian economic integration, frequently referred to as “narrow economic regionalism,” is not in the interest of East Asia, and threatens to attenuate the region’s trade and investment ties with the United States and Europe. In his view, “East Asian cooperation is undermined from the start by the region’s characteristics. Along almost any dimension, the disparity or diversity of the region is very large relative to that of other areas where economic regionalism has had some success.”

He asserts that “the region exhibits none of the historical, cultural, or religious commonalities that characterize Europe or North America.... Contrary to the claims of some political leaders in the region, there is no ‘Asian way’ that draws these nations together, no common point of view that is intrinsically different from that of the West.” While it is fair to ask whether the cultural ties between the United States and Mexico are much stronger than those between Malaysia and Indonesia, Lincoln does not offer a convincing answer for why this should distress the West. On the contrary, if cooperation helps to overcome historical disputes and animosities in East Asia, the United States should welcome it. After all, European integration did not start as a reaction to centuries of amity within Europe.

Lincoln has a stronger point in worrying that East Asia’s drive for greater regional cooperation has its roots in the anti-Western—and particularly anti-American—attitudes that have blossomed in the past decade. Indeed, one of the most prominent advocates of East Asian regionalism has been the former Malaysian Prime Minister Mahathir Mohamad, who is known for his outspoken anti-Western rhetoric and who proposed the creation of an East Asian Economic Caucus as early as 1990. Lincoln is surely correct that the “common sense of irritation, frustration, and disagreement” with the U.S. government and the International Monetary Fund (IMF) after these institutions’ dismal handling of the Asian financial crisis must be taken seriously. Nevertheless, the East Asian nations’ economic interests in maintaining and improving trade and investment relations with the United States and Europe are far too important to let these countries form a closed economic bloc that is hostile to the West.

Lincoln’s fears that regional integration would leave U.S. firms at a disadvantage relative to regional competitors, or even exclude them entirely, seem a bit exaggerated given the recent successful attempts by East Asian governments to attract U.S. direct investment. Concerns that the creation of an Asian monetary fund—a Japanese proposal following the Asian crisis that was vetoed by the United States—could become “a vehicle for Asian

countries to avoid or minimize the economic reforms demanded by the IMF" and create a "region that grew more slowly, attracted less foreign capital, and was more prone to economic crises" likewise seems far-fetched.

In addition to economic concerns, Lincoln worries about U.S. security interests and reasons that "a narrow form of economic regionalism could have a corrosive effect on the American security role in the region....It is only a small step from the anti-Western rhetoric promoting Asian economic regionalism to calls for getting the United States out of the region altogether." Unlike Lincoln's other worries, this scenario might not be unrealistic in the long run. East Asia's continuing economic rise, combined with decreasing economic dependency on the West, could bring about demands for greater political emancipation, as was the case in Western Europe after the end of the Cold War in the 1990s.

After spelling out the potentially detrimental effects of East Asian regionalism on U.S. interests, Lincoln soothes the reader by asserting that so far "the negative rhetoric" of East Asian policymakers has not led to institutions or policies that have advanced a regional approach at the expense of international organizations such as the IMF, or of the West in general. He also asserts that within the next decade it is unlikely that the East Asian states will take strong policy steps toward regional integration akin to the European Union. Lincoln nevertheless argues that the U.S. government should be vigilant and, to prevent his worst-case scenario, should actively seek to preempt a tighter regional grouping of East Asian countries. Lincoln recommends that "any U.S. strategy therefore needs to consider how to discourage the region from sliding into a tighter form of regionalism." But he also asserts that pursuing a strategy of overtly rejecting efforts to advance East Asian regionalism could embolden anti-American rhetoric in the region. The United States would have to confront allegations of hypocrisy since, after all, it is itself engaged in NAFTA and actively pursuing a Free Trade Area of the Americas.

In light of these concerns, Lincoln proposes a "positive agenda" that both diminishes the drive toward a narrow form of regionalism in East Asia and encourages adoption of a broader form that does not exclude the United States. Such a policy, according to Lincoln, should consist of two elements: strengthening the World Trade Organization (WTO) and the IMF while reinvigorating the Asia-Pacific Economic Cooperation (APEC) forum, a grouping that not only includes East Asian countries and the United States, but also Australia, Canada, Chile, Mexico, New Zealand, Papua New Guinea, Peru, and Russia.

Lincoln certainly has a point in suggesting that reform of the Bretton Woods institutions and the WTO could strengthen their role and improve their tarnished reputation in East Asia. But his proposal for making APEC the main forum for discussing cooperation in East Asia is not very convincing, and even Lincoln admits that APEC is a “somewhat unwieldy organization that will not yield dramatic progress on lowering trade and investment barriers.” Moreover, APEC is a forum that has never been embraced by East Asian countries, and despite recommendations in the book on how to reanimate the organization, it remains unclear how APEC could become the hub for East Asian discussion.

Lincoln concludes his book by noting that “[u]nfortunately, neither the WTO nor APEC has much sex appeal in Washington, where regional and bilateral trade deals have captured the most attention. Nevertheless, the road to successful East Asian regional development lies in supporting global institutions and the broad, limited, regional approach of APEC.” Unfortunately Lincoln’s proposal will not have much sex appeal in East Asian capitals either, though for a different reason: a strategy for regional cooperation in East Asia that takes U.S. interests as its starting point will only reinforce resentment of the U.S. role. The United States will only be able to strengthen its position in East Asia if it acts as an honest broker.

While Lincoln’s policy conclusions can be debated, *East Asian Economic Regionalism* is a skillfully written book that presents a thorough analysis of current developments in East Asia and offers a stimulating and controversial perspective. Lincoln accomplishes his goal of helping the reader to understand what is going on in East Asia, and simultaneously provides an (unintended) introduction to the diffuse fears of the United States about losing supremacy in East Asia. *East Asian Economic Regionalism* is also a worthwhile read for East Asian policymakers who will probably have to live with U.S. skepticism of their regional endeavors for a long time to come. ■