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Abstract

A common view holds that the trend toward Asian financial regionalism is a relatively new phenomenon that became significant after the Asian financial crisis of 1997/98. This paper challenges this view by exploring and analyzing financial regionalist projects in Asia throughout the 1990s. As they demonstrate, Asian countries, especially Japan, have held a strong desire to establish an Asia-only regional cooperation framework at least since the early 1990s. The basic policy stance of the United States (US), in contrast, was to participate in Asian forums and/or itself to propose and establish regional groupings with itself as a member. This competition is crucial to understanding the rise and fall of various regionalist projects. The analysis of Asian financial regionalism from the standpoint of the membership sheds new light on studies of regionalism. Among the important theoretical implications of this empirical study is that by exercising "blocking power" over a regionalist project, an outside power is not simply killing the proposal, but is participating in the proposed regional framework and seeking to influence it. Regionalism can be best understood as a project under which a relatively minor power seeks to establish a framework that excludes more influential states in order to increase its influence within the group.

Keywords: Regionalism, regional cooperation, Asian Monetary Fund (AMF), Chiang Mai Initiative (CMI), membership, blocking power

JEL Classifications: F15, F36

1. Introduction: Two Commonplace Views on Asian Regionalism

Browsing through recent journals on international relations or Asian affairs, it is not difficult to find articles on Asian regionalism. The volume of academic literature on financial cooperation in Asia since the 1997/98 financial crisis, alongside literature on regional trade arrangements, has been significant. Generally speaking, it can be classified into two clusters. The first regards recent rapid progress in Asian cooperation as a puzzle, and attempts to explain the driving forces behind it, as in Amyx (2004). Given the high number of ongoing regionalist projects, such an effort can be justified to a degree. But one should note that such literature, at least in part, has a tendency to overemphasize recent developments at the expense of persistent, longer-term trends in Asian regionalism. Exaggerating changes in an effort to treat the issue as a research puzzle in need of solution misses the point.

The second cluster of literature argues that the recent phenomenon of Asian regionalism is not novel and that it is not difficult to find similar regionalist projects in the past. Within this cluster, It is worth examining arguments suggesting that recent Asian regionalism should be understood in comparison with Japan's pre-war Asianism (Milner and Johnson, 1997) and that the genesis of Japan-sponsored regionalism in the late 1980s can be dated back to the 1960s (Terada, 1998). That said, students of international affairs and regionalism need to recognize that one can look into history in search of similar regionalist projects until eventually one succeeds. This is especially true when "implicit" origin or "indirect" genesis of a particular regionalist project is traced.

This paper attempts to find the middle ground of the two approaches. The central proposition is that regionalist projects in Asian financial cooperation existed throughout the 1990s. Whether or not such a trend existed before the 1990s is beyond the scope of the analysis.[1] By focusing on the 1990s before the crisis, it narrows a gap in the existing empirical research. On one hand, because this study emphasizes the continuance rather than the dramatic changes of Asian financial regionalism, it demonstrates a sharp contrast with literature looking at pre and post financial crisis periods. On the other, because it adopts a chronological assessment of financial regionalism throughout the 1990s, it also differs from the literature comparing ongoing regionalism with regionalist projects of some time ago. Due to space limitations, Asian regionalism related to fields other than finance, such as trade and summitry, is not covered.[2]

The paper puts special emphasis on the importance of the membership of a regional grouping to understanding the fate of past efforts at establishing regional financial institutions. Perhaps this is only natural given the paper's central proposition that Asian regionalism (that is, a regionalism that includes *only* Asian countries) is a persistent 1990s trend. But some may argue that membership is just one aspect of regionalism and that other aspects should be treated equally. I recognize the significance of other features of regionalism, such as the level of institutionalization and specific topics

[1] ASEAN+3 financial cooperation culminating in the Chiang Mai Initiative (CMI) in 2000 is not discussed in this paper. For the CMI, see Sohn (2005).

[2] For a comparative study of Asian summitry, financial, and trade regionalism, see Hamanaka (2008). For Asian trade regionalism, see Dent (2007) and for Asian summitry regionalism, see Malik (2006).

covered by individual regionalist projects. But the emphasis on continuity in membership, leaving aside the "variety" of financial cooperation,[3] can be justified simply because of the dearth of research in this area, due in part to methodological difficulties and the political sensitivities entailed.

The principal contribution of this paper is empirical. It explores and analyzes, from the membership perspective, Asian financial regionalist projects that have not been fully examined by existing studies. Some of these bring totally "new faces" to the Asian regionalist literature. Despite the amount of existing research on this subject, the cases covered are very limited, usually discussing only the Asian Monetary Fund (AMF) and the ASEAN+3 financial process such as Chiang Mai Initiative (CMI). The discovery of new regionalist projects should alter the overall picture of the development of Asian financial regionalism. Some of the projects introduced only reached the proposal stage without delivering institutional outcomes. But they are included because they unveil the preferences of various states regarding regionalist policy, not only in support of it, but also in opposition to it.

Sound empirical studies always generate theoretical debate and new findings inevitably entail the revision of commonplace theoretical frameworks. The secondary contribution of this paper, therefore, is theoretical, attempting to present a distinctive "interpretation" of regionalism based on the empirical finding that membership is among the fundamental variables in explaining the rise and fall of various regionalist projects. Emphasizing the significance of membership provides us with an alternative viewpoint for analyzing the development of Asian financial regionalism and regionalism in general.

2. Re-investigation of Financial Regionalist Projects in the 1990s

2.1 Executives' Meeting of East Asia and Pacific Central Banks (EMEAP)

Central banks were first to recognize the significance of financial regionalism immediately after the end of the Cold War. And their significance must be understood when analyzing domestic and international finance and the emergence of regional and international institutions (Werner, 2003). This importance must be kept in mind for two reasons. First, matters related to the International Monetary Fund (IMF) are covered not by governments or finance ministries, in many countries, but by central banks, particularly in Asia;[4] pushing forward the idea of an Asian version of the IMF, therefore, would be impossible without involving them. Second, the members of the Bank for International Settlement (BIS), an important player in international finance, are central banks. Creating an Asian version of the BIS would also be a central bank matter. Although there is no clear-cut answer to the question of whether central banks are governmental organizations or not—and this actually varies from country to country—it is certain that they are public institutions.

[3] This interesting question is discussed by Rajan (2008).

[4] Among major East Asian states, the central banks below send governors to the International Monetary Fund (IMF): the People's Republic of China (PRC); Hong Kong, China before 1997; Indonesia, the Philippines, Singapore, Thailand. Ministry of Finance of Japan, Republic of Korea, and Malaysia send governors to the IMF.

The Bank of Japan (BOJ) dispatched a senior official to its counterpart central banks in Asia in October 1990 for consultations on its idea of establishing a regional central bank forum. The important implication of this is that the BOJ realized the significance of Asian regionalism even before the former Malaysian Prime Minister Mahathir Mohamad proposed the establishment of the East Asia Economic Caucus (EAEC) in December 1990.[5] It is incorrect to argue, as some have, that the EAEC led Japanese policy makers to realize the potential of East Asian regionalism, at least in the field of finance, though it may have strengthened their conviction that there was a growing trend toward a regionalism that excluded the US.

In February 1991, the BOJ hosted the first central bank forum in the East Asia and Pacific region—the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP)—with twice yearly meetings thereafter (Kuroda and Kawai, 2002). In its first two years it sought mainly to nurture relationships among member central banks and to exchange economic/financial information, including macro economic surveillance (EMEAP, 2003). Regular contact, rather than ad hoc meetings, was essential for mutual understanding and economic surveillance. There was an unspoken rule that the BOJ would host every second meeting and provide a temporary secretariat (Fraser, 1995; EMEAP, 2003).

The group was composed originally of central bankers from Australia, Japan, the Republic of Korea (Korea), Indonesia, Malaysia, New Zealand, the Philippines, Singapore, and Thailand. The People's Bank of China (PBOC) joined in 1992, and the Hong Kong Monetary Authority (HKMA) in 1993. EMEAP's most distinctive membership feature was the exclusion of the US, despite its interest in membership (Yokoi-Arai, 2002).[6] It is commonly understood that in EMEAP Japan successfully created a regional mechanism sponsored by it by consciously leaving the US out. The reason for that exclusion was obvious, according to Pascha (2002): closer currency coordination with Asian financial authorities to increase the role of the yen and the Tokyo market had to be pursued without the US.

The meeting's use of the label "East Asia and the Pacific" seems to be the first case in which "East Asia" is used to refer to an area that covers both Northeast and Southeast Asia. At the same time, the Pacific was used to refer to Australia and New Zealand, but not the US. The striking fact about this point is that *Higashi Ajia-Oseania*, which means "East Asia-Oceania", was used in the Japanese name. This seems to have had the effect of shelving the problem of inclusion or exclusion of the US, one that had been common for the Japanese, because the term "Oceania" obviously does not cover the countries on the eastern side of the Pacific, unlike the ambiguous term "*Taiheiyō"* (the Pacific). In other words, the use of Oceania in the Japanese name allowed Japanese policy makers to not consider whether the US should be included; the exclusion of the US was simply justified by the use of *Oseania*. The related question is why the English label did not use Oceania. Perhaps the main reason was that whether the US should be

5 For East Asia Economic Caucus (EAEC), see Hook (1999) and Higgott and Stubbs (1995).

6 Another important feature of EMEAP is the non-involvement of finance ministries. While some are involved at the working group level, they are kept out of EMEAP's main body, including the governors' and deputies' meeting (EMEAP, 2003).

included in an organization that had “Pacific” in its name was a long-lasting and controversial question for Japan: many Japanese policy makers feel uneasy about the exclusion of the US from a regional framework that is labeled “Pacific”. However, the use of “Pacific” to refer to Australia and New Zealand, and not the US, does not seem to be a problem for other countries.[7]

A speech in September 1995 by Bernie Fraser, governor at the time of the Reserve Bank of Australia (RBA), spurred EMEAP’s development (Fraser, 1995).[8] He proposed upgrading regional financial cooperation, including the establishment of an Asian version of the BIS. Fraser argued that “a minimum approach might be a modest permanent secretariat servicing regular meetings of member central banks, but a much better prospect, in my view, is the BIS model. That is, an institution with its own capital (to be subscribed by member central banks) and its own balance sheet.” This proposal led to the institutionalization of EMEAP, with the first governors’ meeting held in July 1996 in Tokyo. While EMEAP started as a deputy-level meeting, this involvement of governors contributed to its wide recognition. The governors agreed to establish three working/study groups in the Tokyo meeting—on financial markets, central banking (later, payment and settlement systems), and bank supervision—a structure parallel to those at the BIS[9] (Lee, 2002). This institutionalization of EMEAP in 1996 can be said to be a virtual establishment of an Asian version of the BIS proposed by Fraser, although EMEAP did not have its own balance sheet.

The move also attracted outside attention. Non-participants, including the US, became interested in EMEAP membership. The US used the repo arrangements of Treasury bills among EMEAP members in the mid 1990s to try to negotiate its EMEAP membership (Yokoi-Arai, 2002). As a matter of courtesy, the US would be notified of any financial arrangements among central banks concerning the US dollar because they had an impact on US dollar money supply: the logic was that the involvement of the US in EMEAP was natural if EMEAP central banks signed the repo arrangements of the Treasury bills. Although the US had been thirsting for membership, it was kept out of EMEAP (*ibid*). Tadokoro (1998) thinks this was so because central bank cooperation was regarded as technical because of its relative independence from government; the exclusion of the US, therefore, seldom became a diplomatic problem.

The puzzling question is why, given its relationship with EMEAP, the US suddenly requested membership only sometime in the mid 1990s. The US had recognized the significance of financial regionalism at least since the late 1980s (see the next section), and, as EMEAP was established, a request for membership or the blocking of the creation of an EMEAP excluding the US would have been natural. The most plausible reason is that, as EMEAP itself admits, EMEAP started on a confidential basis (EMEAP, 2003). The US might not have recognized that EMEAP had been established. In fact,

[7] For example, the membership of the Asia Pacific Council (ASPAC), established in the 1960s, was limited to countries on the Western Pacific.

[8] In the speech, he mentioned EMEAP, which was not widely known at that time and asserted the importance of central bank cooperation in the region.

[9] BIS has: Committee on the Global Financial System (CGFS), Committee on Payment and Settlement System (CPSS) and Basel Committee on Bank Supervision. For the details, see Baker (2002).

articles about EMEAP in Japanese and English newspapers do not appear until the Fraser proposal in 1995. Perhaps the only article that touched on the BOJ's regionalist policy in the early 1990s was in the *Far Eastern Economic Review* (17 October 1991). But it only reported that the BOJ was attempting to do something with Asian central banks, making no mention of the name "EMEAP", and that the meeting was likely to be annual. That EMEAP was established in February 1991 and that half-yearly meeting had been held since then seems to have hardly been known, except to EMEAP participants. That very important matters regarding EMEAP, such as PRC participation in 1992, were not reported in any newspaper suggests that information about EMEAP was effectively controlled by EMEAP members. The US might suddenly have become aware of the existence of this regional central bank forum only after the Fraser proposal (Oritani, 1997). But abolishing it was not a realistic option, though that might have been optimal to its interest. Participation in EMEAP was, then, the second best choice for the US.

Table 1: Major Members of Asian Forums

	Japan	**The PRC**	**Korea**	**Indonesia**	**Singapore**	**Malaysia**	**Thailand**	**Philippines**	**Hong Kong, China**	**Australia**	**NZ**	**US**	**Canada**
Pacific Economic Policy Coordination Group	x	x			x				x			X	
EMEAP	X	x	x	x	x	x	x	x	x	x	x		
Japan-ASEAN FMM	X			x	x	x	x	x					
APEC FMM	x	x	x	x	x	x	x	x	x	x	x	X	x
Four Markets Group	X				x				x	x			
Six Markets Group	x	x			x				x	x		X	
Asian Monetary Fund	X	x	x	x	x	x	x	x	x	x	x		
Manila Framework	x	x	x	x	x	x	x	x	x	x	x	X	x

X: Founder or the country making the proposal

x: Other members

Note: this is not a complete list (minor economies are omitted)

Source: Author

2.2 Japan-ASEAN Finance Ministers' Meeting (Japan-ASEAN FMM) versus APEC Finance Ministers' Meeting (APEC FMM)

Although the ASEAN+3 Finance Ministers' Meeting established after the financial crisis has attracted huge attention from scholars and journalists, the Japanese Ministry of Finance (MOF) has been interested in Asian regionalism since the early 1990s. As early as 1991, when Tadao Chino became Vice Finance Minister in International Finance, the MOF began strengthening relations with financial authorities in the region. Chino had been pro-Asian since his involvement in the establishment of the Asian Development Bank (ADB) at the United Nations Economic Commission for Asia and the Far East (ECAFE) secretariat in Bangkok.

Immediately after Chino assumed the vice minister's office in July 1991, he insisted Asian countries should have a voice in the international financial community equivalent to their national capacity.[10] He called himself pro-Asian, and visited Asian countries in the following month, the first time a vice finance minister had chosen other parts of Asia as his first overseas destination. During the trip, Chino proposed holding a regional vice minister-level meeting, winning support for the idea. Although some called this meeting an "Asian G7", it is more accurate to regard it as informal and *ad hoc—a* "heart-to-heart communication" among regional financial officials, as Chino described it.[11] Although there seems to be no clear sense of membership because of its informality, the participants were limited to Asian countries. For example, the March 1993 meeting in Osaka included Australia, PRC, Indonesia Japan, Korea, Malaysia, New Zealand and Thailand (the PRC participant was from the central bank). Besides this heart-to-heart discussion, the aim of the forum was to provide MOF feedback from Group of Seven (G7) discussions to Asian countries.[12]

The MOF's relations with Asian counterparts were upgraded to minister-level in 1994, with the first Japan-ASEAN Finance Ministers' Meeting (Japan-ASEAN FMM) held in October of that year in Madrid, the site of the IMF annual meeting (Funabashi, 1995).[13] It is important to note that the meeting was a Japanese initiative, unlike other Japan-ASEAN processes. In fact, the Japan-ASEAN Foreign/Economic Ministers' Meeting would always be held back-to-back with the ASEAN Foreign/Economic Ministers' Meeting. But when this first meeting of theJapan-ASEAN FMM was launched, the ASEAN FMM did not exist: the first ASEAN FMM was only held in March 1997. In short, the Japan-ASEAN FMM was created under Japanese initiative when the ASEAN FMM did not exist.

Although the Japan-ASEAN FMM in 1994 did not include the PRC, this may not have been due to any intention on Japan's part to exclude the country. Indeed, the PRC was invited to Osaka one year earlier. Rather, this seems to be explained by a jurisdictional difference over international finance: in the PRC international financial matters were mainly covered by the central bank, not the finance ministry. The exclusion of Singapore from the Osaka meeting can also be explained by this logic: the Monetary Authority of Singapore (MAS), usually regarded as a central bank,[14] is responsible for international financial matters, unlike in other parts of the region where finance ministries share

[10] As reported in *Yomiuri Shimbun* 25 July 1991.

[11] As reported in *Nikkei Bijinesu*, (30 October, 1994).

[12] As reported in *Yomiuri Shimbun*, 26 February 1993.

[13] The Japan-ASEAN FMM had been held on a needs basis, not regularly. It was only after the financial crisis when the regularization of the Japan-ASEAN FMM was achieved. The Japan-ASEAN Summit in December 1997 agreed to host the meeting annually.

[14] In fact, the Monetary Authority of Singapore has membership in the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP).

jurisdiction over international finance with central banks.[15] It can be said, therefore, that Japan's MOF was interested in a forum *only* of regional finance ministries, whereas the BOJ established a regional financial forum including *only* central banks. This was in sharp contrast with financial regionalist projects initiated by the US, such as the APEC financial process, the Six Markets Group, and the Manila Framework Group, all of which involved both finance ministries and central banks (see later).

Meanwhile, the US held different views on the relevant membership of regional financial cooperation. Although it is not widely known, the roots of the financial regionalist projects conducted by the US government date back at least to the late 1980s. James Baker III, Treasury secretary between 1985 and 1988, recalls "while I was at Treasury, Bob Zoellick and Bob Fauver, an able career public servant, had brainstormed about a US-East Asian consultative group along the lines of the G7. I even suggested the possibility of such an organization in a speech". According to the *Wall Street Journal* (3 August and 19 September, 1988), Baker undertook the effort in his final months in office to forge a new regional framework called the "Pacific Economic Policy Coordination Group". The prospective participants of the group were: Hong Kong, China; Korea; Japan; Singapore Taipei, China; and the US, its purpose to coordinate macro-economic policies to reduce trade imbalance. The idea was abandoned, without any policy outcomes, however, due to the lapse of time and the diplomatic difficulty of involving Taipei, China and Hong Kong, China (Baker, 1995).

Nonetheless, the proposed group had two important implications. First, the US considered itself "in" the Pacific region. While "Asia Pacific" implies Asia plus the Pacific, "Pacific" can be used by the US to refer to all areas around and on the Pacific, including both Asia and North America. The second point is that the US government recognized the significance of regionalism including both US and Asian financial authorities even before the end of the Cold War. This recognition seems to have led to two basic principles of US regionalist policy in the early 1990s. The first was to participate in Asian forums and to obtain membership. The request for membership of EMEAP and the Four/Six Markets Group (see the next section) falls into this category. The second policy was, by itself, to establish regional groupings including the US. APEC Finance Ministers' Meeting (APEC FMM) is an example of this.

The US proposed to establish the Finance Ministers' process within APEC at the first APEC Summit in Seattle in 1993. It was finally agreed at the summit to convene a meeting of APEC Finance Ministers to consult on broad economic issues including macroeconomic developments and capital flows.[16] The first APEC FMM was held in Honolulu in March 1994. There was an understanding among concerned parties that the Honolulu APEC FMM was a "one-off" event, not the start of annual regular meetings, and the US government agreed to it. But at the same time, US officials unofficially expressed the view that regular hosting of the FMM was desirable. Meanwhile, Asian members of

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15 The theoretical question then becomes why Singapore was not excluded from the Madrid meeting. However, from the practical point of view, the exclusion of Singapore is difficult when its fellow ASEAN members are involved.

16 Available at: http://www.apec.org/apec/leaders__declarations/1993.html

APEC, including Japan, were reluctant to annualize the APEC FMM.[17] The US government, which put priority on annualizing the APEC FMM, decided not to push Asian countries to liberalize financial markets and insisted on the significance of exchanging views in the meeting[18] (*Yomiuri Shimbun* 1994). As a result, the US successfully inserted sentences such as "we therefore look forward to meeting again next year" and "we also ask our deputies and their central bank counterparts to meet jointly in late 1994 or early 1995 to discuss macroeconomic developments" in the Honolulu Statement.[19] What is interesting is that deputy-level meetings of the APEC financial process include not only finance ministries but also central banks, unlike Japan-sponsored frameworks such as EMEAP and the Japan-ASEAN FMM, which include either finance ministries or central banks.

The establishment of an annual APEC FMM precipitated MOF anxiety. A *Sankei* editorial (17 January, 1994) argued that the creation of the minister-level financial framework including both Asia and the US would leave Japan behind. It concluded that the US would directly lead Asian countries in the Asia Pacific financial framework, while Japan would have played some intermediate role between Asian and the US had there been no such framework. In this context, the timing of the establishment of the two financial ministers' meetings should not be overlooked. The ASEAN-Japan FMM was formulated just a few months after the establishment of the APEC FMM: The APEC FMM caused the MOF to pursue the Japan-ASEAN FMM, which excluded the US.[20] Funabashi (1995) observes that the "MOF continues to have a quiet voice in APEC policy. … Rather, [it] seems more interested in strengthening ties with its counterparts in ASEAN countries."

2.3 Four Markets Group and Six Markets Group

The first meeting of the Four Markets Group took place in Hong Kong, China in May 1992 under MOF initiative, as proposed by the then Vice Finance Minister, Tadao Chino. He set the Four Markets Group in motion saying "[I] wanted to give the Asia-Pacific region its own voice in setting the financial and economic agenda rather than simply following the US and Europe".[21]

Held twice a year, the Four Markets Group aimed to strengthen the relationship among regional financial authorities and to exchange market information, with regard to foreign exchange markets in particular. The members of the group were financial authorities of countries that had large financial markets in the region. They were: Japan (MOF), Hong Kong, China (HKMA), Singapore (MAS) and Australia (Australian Treasury and RBA).[22] BOJ was not a member.[23]

17 As reported in the *Financial Times*, 21 March 1994 and the *Sankei Shimbun*, 10 March 1994.

18 As reported in *Yomiuri Shimbun*, 23 March 1994.

19 Available at: http://www.apec.org/apec/ministerial_statements/sectoral_ministerial /finance/1994_ finance.html

20 The Japan-ASEAN FMM seemed to lose its centripetal force when the newly-established ASEAN+3 FMM started to make progress in regional financial cooperation.

21 As reported in *Australian Financial Review* 26 February 1997.

22 International finance is mainly covered by the central bank in Australia.

23 Because the Monetary Authority of Singapore and the Hong Kong Monetary Authority are central banks

In March 1997 the Four Markets Group was upgraded to the Six Markets Group, as the US and PRC joined, and the level of the participants was raised to vice ministers or vice governors. Central banks, including the BOJ, the US Federal Reserve, and the PBOC, were also invited to the meeting, the upgrade organized by the US (Ostly, 1997). The then Vice Finance Minister for International Finance, Katō Toshihiko, who chaired the first Six Markets Group meeting, also recalled that the US had "heard" of the existence of the Four Markets Group and joined (Katō *et al*., 2002). The US had not considered the group useful on the view that existing multilateral forums, such as WTO and APEC were more important. But it joined for a simple reason: it was determined not to be excluded from regional financial cooperation.[24] Because this group did not use any geographical label, the inclusion of the US did not lead to dogmatic questions about whether the US was in the region or not. The group simply changed the name from the "Four" Markets Group to the "Six" Markets Group.

There seemed no large disagreement about PRC membership. The PRC itself was unequivocally interested in joining.[25] One reason for this was because Hong Kong, China, due to return to the PRC in July 1997, had already participated.[26] Japan also realized the significance of the PRC to the regional economy and did not seem to object to its participation. The possibility that the US attempted to engage the PRC by including it in a regional financial framework also cannot be ruled out. But PRC membership was not well received by outsiders, Korea and Taipei,China in particular, which considered themselves more qualified candidates in terms of market development (Lipscy, 2003). Though it is unknown whether the two officially requested membership, journalists sometimes asked why the membership of the group had not been expanded to include the two economies and their important markets.[27] But neither economy ever joined.

This regional financial meeting among six key Asia-Pacific economies attracted considerable attention. While APEC had expanded its membership significantly by 1997 and had grown somewhat dysfunctional, the smaller Six Markets Group included three major countries—Japan, the PRC and the US—and was considered an optimal forum for substantial discussion. Many expected it to upgrade to a minister-level gathering and to grow into an Asian G7,[28] although it never did, and the group lost centripetal force soon after the upgrade, holding no meetings since February 1999.

Strikingly, however, Japan's MOF revived the Four Markets Group in September 1999 without the participation of the US and the PRC.[29] Its revival occurred as the prospects of the newly-established ASEAN+3 financial process remained uncertain. Like EMEAP, the Four Markets Group was less politicized than other forums, partly because it was

"within" a government, the Four Markets Group can be said to be a group consisting only of governments.

24 As reported in *Korean Economic Review*, 13 March 1997.

25 As reported in *Australian Financial Review*, 26 February 1997.

26 As reported in *Korea Economic Weekly*, 19 March 1997.

27 *Nikkei Kinyū Shimbun*, 5 March 1997.

28 As reported in *Yomiuri Shimbun*, 6 March 1997.

29 *Nikkei Shimbun*, 22 August 1999.

regarded as a meeting among specialists (de Brouwer, 2004).

But as prospects for the ASEAN+3 financial process improved in 2000, the MOF seemed to prioritize it over the Four Markets Group. Interestingly enough, the achievements of the Four Markets Group, such as discussions of a regional bond market and regional credit agency, became the agenda of the ASEAN+3 financial process. The Four Markets Group was useful to the MOF in its exclusion of the US. But its membership was too limited compared to ASEAN+3 and reduced its usefulness as an Asian forum.

2.4 Asian Monetary Fund (AMF) and Manila Framework Group (MFG)

Although some consider the AMF proposal an outcome of the Asian financial crisis, the project dates to far before 1997. Haruhiko Kuroda studied the idea of a regional monetary fund in the MOF at an early stage (Sakakibara, 2000), hitting upon the idea of a regional monetary fund in Asia when Reserve Bank of Australia Governor Bernie Fraser, in September 1995, proposed his idea of an Asian version of the BIS (Kuroda, 2004). By the autumn of 1996, the Institute of International Monetary Affairs (IIMA)—affiliated to the Bank of Tokyo-Mitsubishi—had formed a study group on regional monetary funds (Shinohara, 1999; Lipscy 2003). In particular, Gyōten Toyō (IIMA President and the former Vice Finance Minister in International Finance) and Shinohara Hajime (IIMA Managing Director) were deeply involved in studies of regional monetary funds.[30] The group finalized the study and produced the preliminary paper for creation of the AMF by early 1997 (Shinohara, 1999).

The MOF planned to propose the AMF at the occasion of the ADB annual meeting in Fukuoka in May 1997, using the name of the "Gyōten Initiative" (Lipscy, 2003). It was so cautious that it did not make the proposal by itself, and used the name of a former official. But the MOF eventually postponed the launch of the idea because it determined that the plan was unlikely to win support from regional economies. Some say Taipei, China and Korea were suspicious of the MOF's regionalist policy partly because they had not been invited to the Six Markets Group meeting a few months before and that they were not supportive of the plan (*ibid*).

AMF momentum increased, however, with the 1997/98 financial crisis As countries gathered in Tokyo on 11 August 1997 to discuss a rescue package for Thailand, where the crisis began weeks earlier, some said the contributors to the package sensed the "unity of Asian countries" (Sakakibara, 2000). The $1.72 billion rescue package was agreed by concerned countries and international organizations including the IMF, the World Bank, and ADB. Contributors included Australia; Brunei Darussalam; PRC; Hong Kong, China; Indonesia; Japan, Korea; Malaysia; and Singapore. The US participated in the meeting but did not contribute funds.

Under this favorable situation for Japan, the then Vice Minister of Finance Eisuke

[30] Japan's Ministry of Finance and Gyōten Toyō also organized a meeting for regional central banks and monetary authorities in April 1996, to which the US was not invited. This was before the study group on regional monetary funds was created. See, Terry (2000).

Sakakibara decided to push immediately for creation of the AMF, while keeping the US out of the establishment process. A draft internal paper on the AMF was completed in the second half of August, with prospective members including Australia; PRC, Hong Kong, China; Indonesia; Japan; Korea; Malaysia; the Philippines; Singapore; and Thailand. Because it had resisted contributing to the Thai package, the US was not a prospective member.[31] Around 10 September, Sakakibara sent out an unofficial AMF outline paper to Hong Kong, China; Indonesia; Korea; Malaysia, and Singapore, which was not intended for US eyes (Blustein, 2001). A few days later, Finance Minister Mitsuzuka Hiroshi sent a letter to all prospective AMF members proposing a meeting, using the occasion of the IMF annual meeting in Hong Kong, China, to finalize discussion about AMF creation. Japan did not send this letter to the US simply because the US was not a prospective AMF member. Moreover, the MOF actively used the occasion of the Asia Europe Meeting (ASEM) Finance Ministers' Meeting on 18 September to lobby Asian countries because the US was not an ASEM member (for ASEM, see Bobrow 1999). The ASEAN FMM, held back-to-back with the ASEM FMM, officially supported AMF.

The US had been attempting to get involved in regional financial mechanisms and, by mid September, obtained the unofficial AMF outline paper. Assistant Treasury Secretary Lawrence Summers immediately called Sakakibara and complained of the lack of communication between Japan and the US. The US subsequently sent out a letter signed by Treasury Secretary Robert Rubin and Federal Reserve Chairman Alan Greenspan, to all APEC finance ministers, implying US interest in forming an Asia Pacific cooperative framework for crisis resolution. The US then strongly requested its participation in the Hong Kong, China preparation meeting for the establishment of the AMF. Alongside the ten prospective Asian AMF members, the US and IMF participated as observers at the meeting (chaired by Sakakibara) on 21 September. Japan, Korea and ASEAN supported the AMF, but the US and IMF opposed it.[32]

US policy actions after the Hong Kong, China meeting were prompt and strategic. The Treasury Department carefully analyzed the sentiment of Asian policy makers and reached the conclusion that some *ad hoc* arrangement for mobilizing bilateral resources alongside IMF programs was necessary to "avoid" the construction of a full scale regional financial mechanism by Asian governments (Blustein, 2001). At the same time, the US appealed to its close relations with Asian countries, as is made clear by its contribution to the Indonesian rescue package, unlike the case in Thailand.

A meeting to conclude discussions on the relevant regional financial architecture in Asia was held in Manila in November 2007, its participants including contributors to the Indonesian rescue package and Canada (as current APEC Chair), thus involving the

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31 While it is usually pointed out by former MOF officials that the decision of the prospective members followed the contributors to the Thai rescue package (for example, Kuroda, 2004), they do not coincide perfectly; the Philippines was included in the membership while it did not contribute, and Brunei Darussalam, vice versa. It can be said that the fact that the US did not contribute to the Thai package became a good pretext for Japan to exclude the US.

32 Australia and Hong Kong, China remained neutral, just making general comments without mentioning support or opposition, and the People's Republic of China did not speak out at all. This meeting was unable to conclude the argument.

US.[33] In other words, the members were: Australia, Brunei, Canada, PRC, Hong Kong, China, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, the US; and three international organizations (IMF, World Bank and ADB). Both finance ministries and central banks were involved. At the Manila meeting, participants agreed that a half-yearly regional surveillance forum (including the US)—the Manila Framework Group (MFG)—should be established and that the new group should supplement the activity of the IMF. In short, because the US did not contribute to the Thai package, resulting in the AMF proposal excluding the US, it contributed to the Indonesian package, attended the Manila meeting as a “regional” state, and established the MFG including itself.

It is important to note that the US opposed the creation of *the* AMF, not the creation of *a* regional monetary fund *per se*. Fred Bergsten—a close aide to the administration of US President Bill Clinton administration and head of the Institute for International Economics (IIE) in Washington—clearly argued that an Asia Pacific Monetary Fund including the US was useful (Bergsten, 1998).[34] The US would have accepted establishment of regional financial arrangements as long as they included the US and supplemented the IMF. It is inaccurate to argue, therefore, that the US rejected the AMF: its opposition led, instead, to its counter-proposal of the MFG.

3. Interpreting Regionalism from the Membership Perspective

Above all, it is safe to assert, based on cases introduced in this paper, that membership of a regional institution is a social construct. While the argument by Harris (2000) is relevant saying that “the definition of the region … is what the states of the region make of it”, the empirical evidence of this paper suggests that states “outside” the region are also important in determining the membership of institutions and more generally the boundary of a region.

Relating to this point, it is difficult to assess which country assumes influence in a regional framework *a priori*. It all depends on the membership. In other words, the leading position in a regional framework is a social construct as well. For example, when a framework including both Japan and the US is created, Japan’s influence is limited, while Japan may easily assume influence within a regional framework without the US. Although the concept of influence is not definitive, it is not difficult to regard the US as more influential than Japan when both are included; this would be exactly the perception of Japanese policy makers and the reason why a regional framework without the US is Japan’s preference. Holding a dominant position in a regional framework with a limited membership is a necessary condition of assuming influence in it—this is the rationale of

[33] Asian countries that were hit (or expected to be hit) by the crisis (Indonesia, the Republic of Korea, Thailand, and the Philippines) also attended the meeting.

[34] Moreover, Vice Minister Eisuke Sakakibara explained the plan of the Asian Monetary Fund to the US Treasury’s Lawrence Summers over lunch on 8 September in Paris where the meeting of OECD Working Party III was held. Summers did not reject the plan at that time. The reason why Summers did not oppose it was, as Sakakibara admits he found out later, that Summers misunderstood that the US was included in the prospective membership of a new regional fund (Sakakibara, 2000).

the control of membership. The proliferation of regional financial forums until the late 1990s is the result of various countries' desire to establish a regional framework in which they could hold a dominant position. There is no large difference in their functions; all intended to exchange market and financial information and to conduct economic surveillance.

Therefore, from the perspective of a potential founder or a country that proposes a regional institution, regionalism can be interpreted as an attempt to create a cooperative framework to maintain or increase influence on other members, by excluding more influential states from the framework. In short, part of the essence of regionalism the exclusion of more powerful states by the use of the concept of a region. It is important to note that the usual target of exclusion is influential states, not weak states, as has been demonstrated by Japan's attempts at establishing regional frameworks without the US. As outlined above, these included the Japanese central bank's establishment of a vice governor-level regional forum, EMEAP, in the early 1990s; the MOF's establishment of the Four Markets Group in 1992, later the Six Markets Meeting in 1997 (and revived as the Four Markets Group in 1999); and the MOF's establishment of the Japan-ASEAN FMM in late 1994, immediately after the US hosted the first APEC FMM in earlier that year. This also includes the MOF attempt to create a new Asian regional financial framework, the AMF, when the financial crisis occurred.

In contrast, from the perspective of a country that is placed outside a regional framework, gaining inclusion *per se* is of fundamental significance. This is especially true for a powerful country that could be a target of exclusion. As has been discussed in detail by Rapkin (2001), the "blocking" of the establishment of unfavorable regional frameworks, especially in terms of membership, is crucial for excluded parties. What should be kept in mind here is the way blocking power is exercised. The blocking of the establishment of a regional framework by an excluded party means it is participating in the framework, not just killing the proposal. The exercise of blocking power in terms of regionalism is not something achieved as "external" parties. Rather, blocking simply means it is becoming an "internal" party through its participation. In fact, the US attempted to obtain EMEAP membership without success, but it successfully became a member of the Six Markets Group. Under the US initiative, APEC FMM was created in 1994. The US, however, did not support the AMF and rather counter-proposed the MFG, a regional economic surveillance system that included the US, its creation aimed at preventing the establishment of AMF.

Understanding the significance of membership in explaining regionalist policy leads us to a simple, practical question: how do you control membership? There are various methods, as we have seen in the empirical sections. Various labels were used to achieve a specific membership. "Asia" was often used by Japan and others with an aim to excluding the US, while Asia-Pacific or even just "Pacific" has been the US preference, justifying US participation, as it does. Some frameworks use a more definitive label that clearly indicates who should be in and who should be out, such as the case of Japan-ASEAN FMM. In contrast, a regional framework that does not have a definitive regional "label", such as the Four Markets Group, faced difficulty preventing outsiders from participating. The low-key launch of a regional framework is another method of avoiding membership by outsiders. Ignorance of the existence of a regional framework (as in EMEAP) makes it impossible to apply for membership. Establishing a low-profile organization and then upgrading it may be easier than establishing a high-profile one from the outset in terms of achieving a favorable membership. An important, related point is that it is incorrect to overlook the significance of regionalism under the view that the level of institutionalization was insignificant; a low level of institutionalization, together with a low profile approach could be a necessary cost of achieving a specific and limited membership; institutionalization could be achieved later. Under an extreme situation, organizing a preparatory meeting with limited participants *per se* is crucial, as the AMF case suggests.

Membership is crucial to understanding regionalism. It is no exaggeration that membership preference determines a states' regionalist policy, rather than the substance of cooperation. In particular, the rise and fall of various regionalist projects can be explained by membership factors to a considerable degree, as has been discussed in this paper. In summary, not only "who is included?" but also "who is NOT included?" is a critical question in understanding regionalism.

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