

Dynamics of Asian Regionalism: The Role of India and Japan
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Abstract

There has been a proliferation of regional integration across the world. Especially since the end of the Cold War the creation of regional trading, economic and security blocs or associations have once again focussed the debates at different levels. This paper examines what theoretical frameworks explain these processes in Asia and what role the second and third biggest economies of the region notably India and Japan play in this scenario. It first draws attention on the need to define terms that are interchangeably used and situates regional integration within a theoretical framework. Next section examines the factors that propelling India and Japan to move toward Asian integration.

This paper also looks at how to strengthen India-Japan bilateral cooperation, bolstering this regional dimension to this important and successful partnership. Last section gives an over all view of a Pan Asian community with reference to its economic strength.

Keywords: Asia, India, Integration, Japan, Regionalism

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Introduction

Regionalism is a phenomenon extending all over the world and Asia is no exception. Asia has undergone a remarkable economic transformation over the past 50 years. Now, Asia is an important driving force in the global economy featuring 4 of the world's 12 largest economies: Japan, China, India, and Korea, as well as several fastest-growing ones. Region building is on the move in Asia. The past decade has seen lots of initiatives and movements, especially in the economic realm. Yet, to date there is still no blueprint for Asia to deepen cooperation and integrate into an Asian community.

Defining Regionalism

First, how are regions defined? Some argue that regions are rooted in geography, while others stressed that they are socially constructed. The group debated whether regions are defined exogenously-or whether there has been movement toward endogenously driven definitions. Region is a contested concept and defining regionalism can be as problematic. The idea of region as simply a geographical concept has been increasingly challenged as new definitions emerged. For instance, some scholars like Andrew Hurrell, see region as a social and political construct and regions are created and recreated in the process of global transformation, or as Hurrell further elaborates, *"it is how political actors perceive and interpret the idea of a region and notions of regionness that is critical."* (Andrew Hurrell, 1995) Following therefore from Hurrell's definition of a region, regionalism is then seen as a process-oriented concept that encompasses different phenomena happening at the various stages of its formation. These include regionalization, which is often market-driven, followed by emergence of regional consciousness, and then deliberate regional inter-state cooperation leading to regional integration.

Many of the words used to describe the process of regional integration are used interchangeably which creates a distortion in both

meaning and use. Therefore it is useful for further discussion to first delineate between these words. A Region is a geographical, social and cultural construct. According to Katzenstein, “*regions are, among other things, social constructions created through politics.*” (Katzenstein 2000) This is a social constructivist view of a region, because as he further elaborates, ‘regions are also social and cognitive constructs that are rooted in political practice’ and influenced by the political construction of meaning, actors and their motivations. Thus the construct of a region is the interplay of geography and politics, a combination of both spatial and the political. (Katzenstein, 2000)

Regionalism/Regional Integration as Haas identified, is the shifting of certain national activities toward a new centre. (Haas, 1958) This intentional collective action among states is to accomplish certain common goals - political, economic and security. This intentional collective action however evolves over time. (Lindberg, 1970, 46) However; there is a divide on of views on whether integration is only a process or an outcome or end condition.

Regional integration can thus take place at **market, functional** and **institutional** level. Market integration is more spontaneous and easier to achieve. As compared to that functional integration is driven by intentionality of the actors and aims to expand the market integration by set of specific economic measures. Institutional integration envisages greater binding agreements on the concerned governments and also creates a new power centre other than the existing decision-making at the local and national levels. Thus as functional and institutional integration increases as seen in the case of the European Union, there is a greater shifting of decision-making from the national to the new power centre indicating the shifting of sovereignty which also can be denoted by a ‘authority-legitimacy transfer’. What need to be emphasized here is that this process is achieved through “non-coercive efforts”. (Haas, 1970) Regional integration can display both **loose** and **strong** integration features. While the characteristic of loose integration is visible by inter-

governmentalism and informal process of decision-making, strong integration displays supra-nationalism and institutional structures and centralised decision-making. In both cases the outcome leads to cooperation and a new identity formation.

Regionalism is therefore not only a geographical concept but also a dynamic process encompassing a concentration of economic, political and socio-cultural linkages. As Mittelman put it, regionalism today is emerging as a potent force in the globalization process - as one important component of globalization: as Mittelman defined '*It is not only a chapter of globalization, but can also be seen as a response or challenge to globalization*'. (Mittelman, 1996)

Geographic Definition of Asia

The word Asia actually emerged from the west and these are constantly shifting concepts. There was an opinion poll done of elites about 6 years ago across this region asking what the Asian identity is? And in the end they found that there was much more commonality with the U.S. than across the region; then there was internal cohesion on what it is to be Asian. So these things are always very uneven and probably have as much to do with national identity and search for identity as anything else.

Asia has become far more interconnected than ever in the history. Intra-Asian trade and investment patterns, for example, have become more interwoven, while military and security linkages have eroded unilateral and bipolar arrangements. Similarly the region's political boundaries, environmental problems and environmental protection programs are not isomorphic. Labor markets, both legal and illegal, have become less constrained by national boundaries, as have organized criminal activities and the spread of infectious diseases. In response to these trends and at times independent of them, a host of transnational organizations, institutions, and networks have sprung up across Asia, Some have government support, others are privately

run, and some, including the activities of policy experts, involve a mixture of public and private actors.

What is Propelling Regional Integration in Asia?

Some may argue integration is market-driven by production networks or energy needs; others held that political conditions, inter-country or intra-country, are shaping the region; there were proponents of understanding the various configurations of Asian regionalism as instrumental solutions to specific problems. Ideational factors such as norms and values had adherents, as did regional elites. If the question is “Who maps?” as Ellis Krauss noted, then the focus shifts to agency. (Krauss, 2004)

In Asia the notion of regionalism has mostly been applied to ASEAN since its first meeting in 1967, although economic consensus there is largely on paper and acceptance of globalization remains mixed. A number of regional institutions have already emerged in Asia Pacific including APEC and the East Asia community and also taking into account the recent development perhaps SAARC may also be included. In the meantime economists in the region are busy to negotiate FTA – the free trade area – at a bilateral level too. Apparently different countries have different priorities. The parallel development – FTA at a bilateral sense and the regional institutions in the regional integration – this kind of parallel development shows there is no single institution nor mechanism in the region that is decisive in the Asia Pacific economic development and the issue for the major powers in the region is then, whether there is a need for such kind of institution that would play such a role in regional economic architecture. And if so, it should concentrate exclusively on Asia or should include more members out of the region. (Zhao, 2006)

Until recently analysts assumed that an increasingly interconnected Asia, stronger and more cohesive, would be part of a new global balance of power, as the Manichean ideological tendencies of the cold

war gave way to a more complex triangular relationship among three distinct regions: Europe, North America, and Asia. However, the financial crisis that swept across Asia in 1997-98 forced a reassessment of these assumptions but again that hope is flaming up through various institutions. Since then much has changed. Asia now has dozens of bilateral sub regional agreements involving at least one Asian partner. There are about 15 under implementation, close to 10 signed, more than 20 under negotiation and at least 16 proposed and these represent a growing integration in Asia and an explosion of new trade and investment initiatives.

On economic cooperation, and attributing the steady flow of foreign direct investment to peak organizations, several peak organizations have eased the movement of goods, people, money, and information across national borders. The keystone of the architecture for economic cooperation is open regionalism, defined as "market-driven" integration, rather than "institutional" integration as in the European Union. The different levels of economic development in Asia have encouraged innovation and flexibility. Certain states have established economic zones, growth triangles, and free trade agreements (FTA)-sub regional groupings that have expanded economic space and moved the region toward liberalization. Completing the picture is an excellent infrastructure of container ports, international airports, and telecommunication facilities that strengthen trade linkages. In summary, the Asia-Pacific region is distinguished from others by its high degree of economic cooperation.

Over the last 15 years again the Asian order has undergone significant development, underpinned by the rise of China and new strategic activism on the part of other major regional powers like Japan and India, and the Association of Southeast Asian Nations (ASEAN). China has increasingly become the central component of the regional order-building process, both because of its growing

economic and military strengths and as a result of its rising political and institutional influence. Because China's new position has been established in what is the world's wealthiest and arguably its most dynamic region, that country has arguably become the United States' most likely 'peer competitor' for the remainder of this century. (Goh, 2008)

According to Sakakibara of Keio University Tokyo, Asia or Asian economy or emergence of the Asian economy, or more precisely re-emergence of the Asian countries, has to be seen in a proper historical perspective, as he quoted the book of American historian, Andrei Gunder Frank, entitled "Re-orient" in the year 2000. In this book he asserted that the center of the world economy had been Asia until early 19th century and it was only the last 150 years that Europe and European offshoots have dominated the world economy. (Sakakibara, 2006) India, China and Southeast Asia have a long history of trade relation with ancient Greece and Arabian countries since hundred of years back. This prosperity had been the main reasons for Europeans to explore the trade route to India and Far East during medieval time.

According to Angus Madison, a very well known historical statistician, as late as in 1820 (that is early 19th century) the largest economy in the world was China occupying about 28 per cent of the total world GDP. The second largest economy was India occupying about 16 per cent of the world GDP. (Madison, 2001) It was only from around mid 19th century that both China and India have declined very dramatically. This is because of the colonization by the West of Asian countries. Now Asia, particularly China and India, have appeared at the center stage of the world economy. But this is the beginning of the new sort of trend that central sort of locomotive of the world economy is now shifting from West to East.

The Evolution of Asian Integration

Although throughout the 1990s and early 2000s the global marketplace has witnessed an unprecedented surge in FTAs, regional integration has existed conceptually in Asia for some time. In Asia the idea of regionalism came to fore as a result of an evolutionary process initiated by Japanese intellectuals like Kiyoshi Kojima in the 1960s. Few thought his ideas were realistic at that time, but Kojima and a group of enlightened intellectuals from Japan, the U.S., Canada, Australia, and New Zealand formed the intellectual thinking group called the Pacific Trade and Development Conference (PAFTAD). Encouraged and supported strongly by the late Saburo Okita, one time foreign minister of Japan, the group then met every year to exchange ideas on how these five advanced countries should pursue integration. The effort of PAFTAD along with other initiatives such as the Pacific Basin Economic Council (PBEC) eventually led to the formation of the Pacific Economic Cooperation Conference (PECC) in 1980, which included participation by government officials from the region for the first time, albeit in an informal capacity. This event consisted of a tripartite group consisting of scholars, businesspeople, and government officials. In retrospect, though the activities of PAFTAD, PBEC, and the PECC were basically non-governmental, it was these early efforts, which led to the formation of the Asia-Pacific Economic Cooperation (APEC), the first official organization in the region to focus on economic issues.

During the first half of the 1990s, three major developments occurred that would come to shape the nature of today's Asian integration. AFTA was established in 1992. Second, there was a key proposal by Prime Minister Mahathir of Malaysia in December 1990 to form an East Asian Economic Grouping (EAEG), which was quickly renamed (to have a milder tone), the "East Asian Economic Caucus" (EAEC) at the ASEAN Fourth Summit in Singapore. The membership consisted of the current members of the ASEAN plus Three groups, namely ASEAN countries, China, Korea, and Japan

(APT). It was opposed by the United States.

After crisis, the original Miyazawa plan initiated by Japan to create an Asian Monetary Fund to supplement the IMF, which was originally opposed by the IMF and the United States, eventually led to the establishment of a currency swap arrangement among East Asian countries during the annual meeting of the Asian Development Bank in May 2000. It came to known as the Chiang Mai Agreement.

The open division among the ASEAN+3 members with regards to Indian and Australia's participation in the East Asian Summit is another sign of the reactionary nature of the project. Countries close to the US such as Japan, Singapore and Thailand are openly supportive of Australia and New Zealand's participation. Indonesia in the process of mending ties with the US and getting the US to lift the ban on military cooperation is also favorably disposed towards Australia and New Zealand's participation. The "membership" criteria was finally settled during the April 2005 ASEAN Foreign Ministers' meeting in Cebu. Any country that is a dialogue partner of ASEAN and has signed the Treaty of Amity and Cooperation (TAC) can qualify.

ASEAN has been put in the driving seat of building an "East Asian community" precisely because there is yet no historical reconciliation between the two biggest powers in this region Japan and China. The US presence in the region is another factor that is recognized, and in fact welcomed by some. Hence, there is conscious effort not to alienate the US with any signals that East Asia is moving towards an "exclusive" bloc for fear for provoking strong reactions from the US, and also for some, US' presence is a counter-weight to a growing China. Historical baggage and certain wariness continued to color the various bilateral ties within the region.

Bilateral and Multilateral Agreements in Asia

Asian FTA effort is a latecomer to a trend that has been widespread

throughout the world for some time. Regionalism has become a critical part of the new international trade order. We are seeing a surge in regional arrangements since the early 1990's. The increased interest in preferential trade agreements raises the important question of whether these more limited, often regionally based, trading arrangements are beneficial to Asian economies. As PTAs become a more commonly considered policy option, it is increasingly important to evaluate how the economic effects of PTAs compare to the effects of broader multilateral trading arrangements as well as how the PTAs affect world trade flows in general. It is an open question whether regional integration creates more trade than they divert.

The past few years have seen a sharp upturn in interest and activity in the formation of Preferential trading arrangements (PTAs) in the Asian and Pacific region. Japan and Singapore signed an Economic Partnership Agreement in February 2002. Singapore also signed a bilateral trade agreement with New Zealand in 2001. Japanese policymakers have proposed a Japan-ASEAN Comprehensive Economic Partnership, and an ASEAN-People's Republic of China Free Trade Area was proposed by the People's Republic of China (PRC) and endorsed by ASEAN's ten leaders in the organization's ministerial meeting in Brunei in October 2001. In February 2002, government representatives of 14 Pacific Island nations met and agreed to form a PTA. These recent events follow more than a decade of increasing numbers of PTAs in the Asian and Pacific region and a similar upsurge in the number of PTAs in the world as a whole in the late 1980s and early 1990s. At present, about 97 per cent of total global trade involves countries that are members of at least one PTA. This compares with a 72 per cent share in 1990.

India and Regional Integration in Asia

It was not until 1991, when Prime Minister Narasimha Rao

enunciated India's new Look east policy that a great degree of clarity, coherence and progress achieved in Delhi's relations with Southeast Asian Nations. As the then finance minister (Manmohan Singh) had acknowledged ASEAN was not the just gateway to trade for the region "but strategic shift in India's vision of the world" that policy proved so successful that India-ASEAN trade burgeoned from \$2.4 billion in 1990 to 23 billion in 2005. Just how fast matters have been moving might be seen from the fact that Indo-ASEAN bilateral trade grew at an annual rate of 11.22 per cent rate, from \$2.9 billion to \$12.1 billion, over 1993-2003. That took up an entire decade. But, later on, it has taken just four years for the trade figure to reach \$30 billion. No wonder, Prime Minister Manmohan Singh expressed confidence that the \$50 billion benchmark will be attained by 2010s. Finally the FTA has been signed between both sides in 2009.

What Manmohan has been pushing for is a Pan Asian Free Trade Agreement (PAFTA) which he says, could be the future of Asia. Tabled by him at the first East Asian Summit In Kuala Lumpur in 2005, PAFTA is looked upon as the centre piece of India's evolving Look east Policy. At the second East Asian summit held simultaneously in chebu. Energy security of the region hogged the limelight. But India also pushed the larger vision of an over changing Asia-wide scheme of economic integration to fully exploit the synergies in the region, much as the EU does in Europe (apart from 10 ASEAN countries, its four dialogue partners Japan, India, china and Korea participated in the summit along with Australia and New Zealand).

After the initial years of hesitance India too realized the importance and signed a number of such agreements at regional, sub regional and bilateral level. India is now engaged with a number of such organizations like SAARC, ASEAN, EAC, BIMSTEC etc and is part of a number of complex webs of free trade agreements (FTAs). It may be highlighted that India's major regional economic interactions have

focused more on trade and only recently talks have begun in a few cases in the areas of investment and cooperation in services.

Since the 1990s India has been in fore front in negotiating bilateral or regional trade agreements with Asian countries. Some of the initiatives that are in the process of being studied negotiated and implemented include India-Japan Comprehensive Economic Cooperation Agreement (CECA), India-Korea Economic Cooperation, India-Malaysia FTA, India-Sri Lanka Comprehensive Economic Partnership Agreement (CEPA), India-Bangladesh FTA, Bangladesh-Bhutan-India-Nepal Growth Quadrangle, IORARC, India-China Economic Cooperation, India-GCC economic cooperation, etc. The exploration of the possibilities of negotiating CECAs with China, Australia, New Zealand, Indonesia, and Japan is being done through Joint Study Groups or Joint Task Forces in which both sides are participating in discussions. India is also pursuing the idea of a pan-Asian level economic cooperation initiative known as the Asian Economic Community (AEC).

India's engagement in PTAs attracted serious attention only after 1998 with the signing of the India-Sri Lanka FTA. However, in 2008 India has effectively implemented only 5 or 6 FTAs and around the same number of other PTAs. Moreover, the volume of trade generated within the PTAs in force is still not a very sizeable proportion of India's total trade. India has signed a Comprehensive Economic Cooperation Agreement (CECA) with Singapore in 2005 and Framework Agreements to establish CECA with Thailand in 2003, ASEAN in 2003 and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) in 2004. The Framework Agreement with Thailand consists of an Early Harvest Scheme, which requires that tariffs for a limited number of products be liberalized within three years of the signing of the agreement. India has also entered into an FTA with South Asian countries by signing the Agreement on South Asian Free Trade Area (SAFTA).

South Asian Association for Regional Cooperation (SAARC) came into being in 1985 but did not adopt a program of economic cooperation until 1991 with the formation of the Committee on Economic Cooperation (CEC). It created a SAARC Preferential Trading Agreement (SAPTA) in 1995. Prompted by the worldwide trends and the successful experience of India-Sri Lanka bilateral FTA, South Asian countries signed the Agreement on South Asian Free Trade Arrangement (SAFTA) in January 2004, setting aside their earlier reservations and eventually agreed to create a SAARC Free Trade Area (SAFTA) to be implemented over 10 years. However, there was a delay in commencement of trade liberalization program due to procedural requirements for ratification of the agreement. The move from SAARC Preferential Trading Arrangement (SAPTA) to a more comprehensive SAFTA is expected to benefit all the economies in the region and also pave a way towards a prospective economic union in the region. Besides regional economic integration, BTAs between India and Nepal and between India and Sri Lanka and between India and Bhutan have also speeded-up economic integration in the South Asian sub region.

India's Role in Asia

Lalit Mansingh, former foreign secretary of India, differentiated India's relationship with east in two ways, one was to establish institutional links with the countries of the region, and second was to have strong bilateral links with the important countries here. So talking about institutional links, India approached ASEAN after the look East policy of 1991. In 1992 India was invited as a sectorial dialogue partner with ASEAN. In 1993 it was accepted as a full dialogue partner; and in 1996 India was made a member of the ASEAN regional forum or the ARF. In the year 2002 India became a summit partner of ASEAN under the formulation of ASEAN+1. Meanwhile India had shown interest in other regional organizations

and India was given observer status in the Shanghai cooperation organization, the SCO, in which India has an opportunity of exchanging views on the development of the region with China, Russia and the countries of Central Asia. The most important development was that India became a part of the East Asia summit, and India considers and values it as a big opportunity for enhancing its engagement with East Asian countries.

On the bilateral front, India has developed close relations with ASEAN countries and in East Asia. India's relations with China, Japan and Korea have been on the upswing. What does India contribute to this region? India brings to the regional table enormous assets, which will add to the region's prosperity as well as security. Growing at an average rate of 7 per cent GDP, though a little slow down during the global financial turmoil, India will be the third largest economy by the middle of this century and will have a role to play in the political cooperation of this region. India also brings to the region its unique skills and services, especially information technology. Economically too the recent growth of 7 to 8 per cent as was mentioned is actually adding one Australia every year to the size of the economy; is adding one France every 3 years to the size of the economy; and that is the growth opportunity which exists in India today. Almost 40 per cent of India's exports and 36 per cent of imports are within the Asian region.

East Asian economy has been integrated quite rapidly compared to rest of Asia. It is not an institutional or a political integration, it is what called market driven integration. Both Chinese economy and Japanese economy have been integrated in a very dramatic way. Right now, China is the biggest trading partner of Japan, and Japanese exports to China has exceeded for the first time after World War II that of Japan's exports to the United States. And this region driven by corporations, driven by the private sector is being integrated very rapidly, and this integration is being accelerated. The

question is how India would come into this integrated EAE (East Asian Economy). Indian exports to China have been rising but the base is relatively small, and India's major trading partners are still western countries. So how India would get integrated into this Asian economic region is the issue, which is very interesting to observe in the coming years.

The Indian government has put a very new emphasis on regional cooperation and globalization of the economy, the recent initiatives regarding FDI seeking partnerships in the ASEAN region with Singapore; an economic partnership comprehensive agreement has been put in place; the free trade agreement with ASEAN and Korea is made recently; agreements with Japan, and China are under active consideration; and in West Asia, India is also working with Persian Gulf countries.

Japan and Asian Regionalism

The last few years Japan itself has gone through a dramatic political revolution. And whichever way we look at it, there's no question that Japan is now destined to play a much larger role in Asia and in the world. While the rise of India and China stem from economic factors, Japan has always been for quite some time, been the number two economy after US. However the significant aspect about Japan's transformation is that the kind of political restrictions that were imposed upon Japan since 1945 are now being broken up, and the unshackling of Japan, along with the rise of India and China, marks the emergence of simultaneously of three great powers onto the Asian scene. So it's not just rise of India and China but also the political unshackling of Japan, which has already been a powerful economic player.

While citing prominent Japanese political scientist and economist Yoshida T. elaborates that the Japanese government has obviously gone through a historic change regarding its foreign policy since the

late 1990s. At the same time, many prominent economists in Japan, such as Ippei Yamazawa and Shujiro Urata, also note that Japan has been adjusting her trade policy with a more pragmatic approach since the late 1990s. (Yoshida, 2004)

In short, both political scientists and economists in Japan recognize that the Japanese government of the late 1990s undoubtedly began to regard Asia as the most important region. Of course, although the U.S. was still very important for Japan in terms of both security and economy, the above-mentioned scholars present strong arguments that America's relative importance for Japan is declining in proportion to Asia's rise in importance. In inverse proportion to the economic importance of East Asian countries for Japan, the importance of the Pacific countries such as the U.S. and Australia has been declining through the 1990s. Of course, although both the U.S. and Australia are still very important trading partners, their relative share of Japan's total trade has been gradually decreasing. In the 1990s, neither Japanese businesses nor the Japanese government could afford to ignore the Asian countries. The expansion of economic relations between Japan and the East Asian countries in the 1990s increased Japan's participation in East Asian regionalism. (Yoshida, 2004)

There are growing anxieties in Japan about its role and future in Asia's 21st century. Asia's political divisions will deepen due to rapid economic development.

“The rise of Asia is not just, or even mainly, going to pit Asia against the West - it is going to pit Asians against Asians. This is the first time in history when there have been three powerful countries in Asia, all at the same time: Japan, China and India. That might not matter if they liked each other, or were somehow naturally compatible, but they do not, and are not.”
(Emmott, 2008)

The rivalry within Asia means that it is becoming an arena for balance-of-power politics. Emmott argues that the Bush

administration's agreement to collaborate with India over civilian nuclear energy and sideline nuclear proliferation concerns is part of a grand strategy aimed at balancing the rising power of China. The first area of potential cooperation is the question of Asian balance of power. It is fairly clear that whatever we might seek, neither Japan nor India would want a uni-polar nation, whether it is America which wants to dominate Asia or China which wants to dominate, neither India nor Japan would want to see a uni-polar Asia.

It is difficult to capture why certain countries rely on specific regional solutions. While common factors may be driving regionalism, they affect Tokyo's regional policies differently across issue areas. Furthermore, the factors that delimit regional cooperation in Asia are rather unchanging; to underestimate their persistence would be a mistake. Namely, first Japan has tried to further strengthen her bilateral relations with all the countries in the region and actively participated in various multilateral forums and activities including ASEAN+3, ARF, APEC and Six Party Talks on North Korean nuclear question, which serve the common interest of the region.

Secondly, what Japan turned next to as an important foreign policy task was her support of the regional integration scheme called 'East Asian Community' and continue to support East Asia countries' regional integration efforts and to play a leading role in defining and exploring the concept, framework and main features of an Asian community to be built in the future.

To the strategists in Japanese multinational corporations, FTAs, sub-regional economic zones, and economic micro-regions are all important. Business executives in Tokyo and Osaka do not dichotomize the EAEC and APEC, but the two groupings as interlinked and mutually compatible. ASEAN, ASEAN+3, and APEC represent concentric circles of regional integration; Japanese firms monitor all these regional forums. In the past, Japan supported

multilateralism in the economic sphere rather than bilateralism, however, there is a growing preference for bilateral FTAs, as exemplified by the one with Singapore, Japan and Asia in general are beginning to forge new trade and economic relations.

Free-trade agreements (FTAs) now being formed in Asia present a path that can bring the sorely needed restructuring of the Japanese economy. Free-trade agreements provide an opportunity to grow closer with other Asian countries as they provide access to each other in goods, services, and finance, perhaps create an important source of stimulus for all. Not only can they force Japan to implement the structural adjustments necessary to stay competitive, but they can also provide an opportunity to grow closer to other Asian countries while collectively protecting themselves from the negative effects of other regional agreements in North America and Europe.

Pursuing FTAs with other countries could become the driving force for the long awaited resurgence of the Japanese economy domestically as well as regionally, for through these agreements Japan can force necessary structural changes which will benefit her in the long-run. Japan has been contributing to Asia through trade, investment, and ODA, and in the meantime, other countries have emerged as strong competitors. Again, Takashi Shiraishi of Kyoto University elucidated three factors that shape regionalism in contemporary East Asia. First, Japan is deeply embedded in the Asian regional system, and for this reason, the Ministry of Finance supports the ASEAN+3 processes and the Ministry of Economics, Trade and Industry (METI) supports FTAs. Japan has a real stake in regional associations, but these groupings are driven by the United States. Second, US policy is important but the outlook is unclear. Half a century ago the United States laid the foundations for Asian regionalization through bilateral security treaties and triangular trade relations. The third factor is China's anomalous position, definitely 'in' the Asia-Pacific trading system.

Probably the easiest part of the regional story to understand is what the final lesson drawn from the mixed record of searching for regionalism over fifteen years is to establish a new organization small enough to concentrate on the most urgent needs of regionalism and open enough to reassure other interested parties. As for Japan, ASEAN+3 can create leverage in trans-Pacific and international dealings. Despite this it is difficult to see the evolution of a traditional regional trading arrangement that is limited to this group. (Drysdale, 2006)

As a result of its economic activities in Asia, Japan has done more for Asian Integration than any single Asian country. Economic regionalization in East Asia has not yet led to a strong political institution. The Japanese government is convinced that an EAEC, which excludes the US, would economically not make much sense and would offend the US, which everybody wants to keep committed to Asia. But Japan also cannot simply ignore regional initiative. (Prabhakar, 2005) And more over the growing influence of China in the region will bring back Japan a step ahead to any regional framework in Asia.

The future of Asian regionalism is still uncertain. One reason is that Japan, while an important actor in Asian regionalism, has great difficulty in proceeding with FTA negotiations. Even though Japan was once a front-runner in financial cooperation within East Asia, the present Japan seems slow moving toward FTAs. If Japan still wants to take the initiative in Asian regionalism, however, the Japanese government should not hesitate to open Japan's domestic markets including the markets for agriculture and labor. A great part of the future regionalism in Asia depends on Japan's decision.

India - Japan Relations and Implications for a Larger Asia

Since the beginning of new millennia, the India-Japan relationship has been judged on both sides largely for its bilateral and regional

benefits. The two-way commercial as well as strategic relationship has been seen as a cornerstone for each country's wealth and development, while close diplomatic cooperation and their complementarities underpin the idea of the Asia as a region. Less attention has been paid to the two countries' shared multilateral interests and cooperation. This section looks at how to strengthen India-Japan bilateral cooperation, bolstering this global dimension to this important and highly successful partnership.

India and Japan are the two largest democracies in Asia. Close cooperation between Japan and India has a strategic significance for making the 21st century truly the century of Asia. A broad convergence of long term interest, objectives and concerns would help India and Japan in ensuring peace, equilibrium and order in Asia. Broadening Japanese perspective to Asia as a whole, Japan recognizes the importance of laying the groundwork for a strategic partnership with India. The engagement will make Asia the fulcrum of economic activity, and both countries have an important role to play in this endeavor. Both economies have the complementarities required.

There have been increasing visits and better relation between the two countries since Japanese PM Mori's Visit to India. Recently the bilateral official visits are on the increase, and in addition the business sectors are also quite active in bilateral relation formation - Keidanren as well as the Kankeiren of Kansai or JETRO. Recently both countries coined the term "Japan-India Global Partnership", a big umbrella to promote bilateral relations. Japan welcomes the rise of India and her positive engagement with international affairs from the perspective of peace, stability, prosperity of Asia and international prosperity. This is because both India and Japan share the same basic values such as democracy and market economy, and Japan and India have a high degree of commonality of interests like East Asia community. We are seeing rapid development of economy

of India and Japan is actively participating in this process, the same way it did in the past in other East Asian countries. In a long span it will be interesting to see how the economic development of India will impact on Asian economic order or political/social order.

Given India's economic and strategic significance, Japanese approach to India is changing at least in a medium term perspective. According to Shiraishi Takashi, Japan must engage India on the basis of following approaches. First, Japan's relations with India should remain grounded in the Japan-US alliance. Second, Tokyo should look beyond economic partnership it is trying to build in East Asia and work to cultivate Asia as a growth centre that includes India. Japan and India also need to continue cooperating to maintain maritime security. (Takashi, 2008)

It is very important that both Prime Ministers Manmohan Singh and Koizumi endorsed the idea of an Asian economic community in 2005, a community which would not be what the Americans call "a part of the arch of instability" but actually as the two Prime Ministers called it "an Asia that should be seen as an arch of advantage and prosperity". It has been agreed that there will be a continuous high-level dialogue between India and Japan; there will be a broad convergence of long term political, strategic and economic interests; there will be a very robust security and defense dialogue. Trade is picking up, now said to total \$8 billion per annum. Both sides would like it to be nearer \$20 billion in next years. These goals look unrealistic now, but may be achieved if conditions are propitious. In the energy sector, both countries are desperate for more oil and other fuels. Japan is aware of India's need for nuclear power and both sides want to formalize their ambitions in a Comprehensive Economic Partnership Agreement. Whether it is another document to be filed and forgotten or a cornucopia of tangible benefits will depend on how the two countries exploit their mutual complementarities.

India has actively welcomed the participation of Japan and China

in SAARC. Both China and Japan are joined SAARC as observers in the last two summits, SAARC should have both China and Japan in it – and that traditional geographic distinctions really do not apply especially in relation to South Asia because the two facts stand out. One the notion of South Asia itself is expanding. Now Afghanistan has become a member of South Asia regional cooperation organization and most of the countries in the region are interested in seeing ultimately Burma also become a part of the South Asian economic integration. Japan has always taken interest in SAARC and hope they do take more interest so that Japan can contribute positively to the emergence of more rapidly integrating South Asia because Japan is the largest aid donor for all the countries. (Rajmohan, 2006)

Japanese investment in India as compared to the Western investment has been lagging, not only to the Western investment, compared to Korean investment for example has been lagging quite dramatically. Koreans have taken a risk and they have been quite successful in automotive industries, in electric appliance industries and so on.

So, looking at the future of the Indian economy and Asian economy in general, India-Japan economic and political relationship, of course, is very important, but economic relationship would probably be the key. Indian equity mutual funds are selling in a crazy manner within a matter of 2 or 3 days. All those mutual funds, which are floated in the Japanese market, evaporate, and huge amounts of Japanese money are now coming into India through equity market. There are around 850 Japanese companies working now in India and the number is increasing at a very faster rate everyday. This is going to continue but this has to be properly managed and should lead this enthusiasm of Japanese investment into India to a more political and economic cooperation. Given the promising future of India's economy and status in global forums and affairs, Japan has been

paying more attention since the visit of Koizumi in 2005. Japan also believes; development of India is a key to maintaining stability in Asia. India now enjoys a special position as Japan's largest aid recipient. India as a developing country still requires the construction and expansion of economic infrastructure. But regional integration through the development of Human resources will become a general trend for Asian countries to follow.

India is also starting to become a center of emerging production networks in Asia and India's advantage lies in services (IT, telecom, financial services, back-office processing) and some manufacturing (e.g. pharmaceuticals and bio technology). India's advantages in the region include: English speaking literate graduates, engineering skills, dynamic SMEs, domestic market size and more over India is complementary to East Asia, rather than competitive.

Finally it is important to bear in mind that Indo- Japanese partnership is not directed against any country. Some may in India and Japan suggest that the dramatic rise of China as an economic and military power is a matter of concern for both countries, and that they should watch its future policies carefully. While it is true that China's emergence will have a great influence on the strategic situation of Asia, Amicable relations between China, Japan and India constitute major factors for the prevalence of peace and stability in Asia and the economic relations between these Asian countries is expected to grow more than the present condition.

Prospects of a Pan Asian Community

There is a growing body of literature which raises question such as: will a Pan-Asian regionalism or FTA create gains for members or not? And what sectors will gain or lose within members and non-members? There is currently intense debate in Asian policy circles on these questions and possible adjustment needed to make it as a win-win strategy for all. Since the latter half of the last century, Asian

countries have rebuilt themselves from tough times, and Asia has now become a region that has the most vitality and potential in the global economy. Asia is now facing historic opportunities for progress and advancement. A spirit of progress can be seen in most of the Asian economies. The forms of cooperation need to be enhanced further and cooperation must expand to broader fields and be raised to a higher level.

Proposed Asian Economic Community in Relation to EU and NAFTA

(In billion US\$ in 2000)

Parameter	EU	NAFTA	JACIK
GDP	7260	11147	7262
% of World	23.17	35.57	23.17
International Reserves (2004)	426	246	2000
Population millions	354	411	3012
% of world	5.85	6.79	49.76

(ADB, 2006)

JACIK is as large as EU in terms of GDP, trade bigger than NAFTA, half of world's population and more than two thirds of world's foreign exchange reserves. The economies of Japan, Australia, China, India, South Korea, New Zealand and 10 ASEAN members be integrated, a mega market bloc that parallels the European Union or the North American Free Trade Area with a gross domestic product worth more than 8 trillion dollars and a population of more than 3 billion would be created. This would lead to a dramatic increase in trade and ultimately improve people's living standards, in theory at least, so it is no exaggeration to say the rapid rise of China and India has presented a great opportunity to all nations in the region.

According to a 2005 ADB study (Brooks et al.) Mohanty, Pohit and Roy (2004) argue that an East Asia-India FTA (i.e., ASEAN+3 and India FTA which they call JACIK) will bring gains to members of between \$147.4 billion (liberalization of trade barriers only scenario) to \$210.4 billion (liberalization of barriers to trade, investment and labor). In their scenarios all members benefit, with Japan witnessing the largest gains (\$108 billion), PRC and India (under \$7 billion each) and Philippines the least (\$1 billion). Regional trade and integration offers Asia great potential for rapid and sustained growth and much of Asia's benefits from global trade liberalization can be realized by regional initiative alone.

Conclusion

The study is basically an exploration of the literature on Asian regionalism and tried to link the two major economies of Asia namely Japan and India on their engagement in ongoing regional integration process in Asia. The incontestable role of India in south and Japan's leadership role in east side of Asia can be used to bring other countries to the fold of Asian regional initiative. Though the study has not mention the importance of China and other countries in the region, their role is not less important and everyone must be considered as equals. The ever growing trade relationship between India and Japan, and the regional economic influence china has among its partners in Asia to be seen as a positive sign to realize this objective.

The best case for Asian economic integration is the ASEAN+6 countries-including the traditional ASEAN+3 members plus Australia, New Zealand, and India - who participated in the East Asia Summit. To date, bilateral free trade agreements, economic partnership agreements, and foreign direct investment have been the foundation of common economic interests. There is huge potential for this foundation to expand as the various strengths of the members in

the region encourage the growth of new economic synergies, although care should be given to undertaking this integration in an open fashion that is consistent with global liberalization. Japan achieved closer relations with most of the Asian nations through the conclusion of negotiations for the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Agreement and Prime Minister Aso's announcement in 2009 on further support for East Asian community initiatives.

Regional integration will lead to economic convergence, rising growth rates and benefit poorer countries and transfer the growth stimulus from China and India to their neighbors. Lastly, integration increases trade and incomes for the rest of the world hence Asian economic integration a win-win for Asia and the world.

It is undeniable that JACIK or EAC offers a host of opportunities for the states involved in it. The highly diverse economic background of its member countries, for example, allows high economic complementarities to flourish in the relationship amongst the member states. Aside from that, JACIK could also increase the bargaining power of its member countries in the international arena. To date, however, both the concept and progress of any of these groupings appear to do not meet the expectations. Other important issues to be addressed include the type of strategies being used to strengthen the integration process without undermining the ASEAN integration process, and the ability of policy-makers to find a balance between the complexity of the economic and strategic aspects of the integration involving all big players in the region notably China, India and Japan. More importantly, however, ASEAN needs to focus on its own integration process (i.e. strengthening ASEAN Community) prior to embarking upon greater East Asian regionalism adventures.

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