Asian Financial Cooperation in the 1990s: The Politics of Membership

Shintaro Hamanaka

A commonplace view holds that the trend toward Asian financial regionalism is a relatively new phenomenon, developing in response to the 1997–1998 Asian financial crisis in particular. In this article I challenge this view by analyzing financial regionalist projects before the crisis. Asian countries, especially Japan, sought to establish an Asia-only financial cooperation framework throughout the 1990s. The policy stance of the United States, in contrast, was to participate in Asian forums and/or by itself propose and establish regional groupings that included the United States. This competition between Japan and the United States is a key factor in understanding the rise and fall of various regionalist projects and also has theoretical implications for membership politics in regional financial cooperation frameworks. **KEYWORDS:** membership, regionalism, regionalism cycle, Asian Monetary Fund (AMF), Chiang Mai Initiative (CMI), Executives’ Meeting of East Asia-Pacific Central Banks (EMEAP), ASEAN+3

The majority of the literature on Asian financial regionalism regards it as a relatively recent phenomenon. A commonplace view is that the development of financial regionalism in Asia became significant only after the 1997–1998 Asian financial crisis, which suggests that the crisis acted as a trigger for increased cooperation (for example, Amyx 2004). Given the number of regionalist projects launched in the aftermath of the Asian financial crisis, such an observation can be justified to a degree; the Asian Monetary Fund proposal and the subsequent Association of Southeast Asian Nations Plus Three (ASEAN+3) financial process have become important topics of inquiry. But this group of literature tends to overemphasize recent developments at the expense of more persistent trends in Asian financial regionalism, particularly Japan’s efforts in the 1990s to
break from bilateralism with the United States in order to construct East Asian regionalist arrangements.

In this article I provide a narrative on Asian financial cooperation in the early 1990s, before the financial crisis in 1997–1998. By focusing on regional financial cooperation in the early 1990s, this paper closes a gap in existing empirical research and raises important theoretical issues. In analyzing the development of Asian financial cooperation, I place special emphasis on the importance of membership. By highlighting the dynamics of interaction between Japan and the United States with regard to membership in regional financial cooperation, I attempt to reveal Japan’s motivations in establishing—and either sustaining or eventually abandoning—regional financial cooperation frameworks.

This study clearly shows that regionalist projects for Asian financial cooperation existed before the 1997–1998 Asian financial crisis. Japan had strong interests in organizing a financial framework that included only Asian countries. The regional financial frameworks proposed by Japan seldom included the United States, and whenever the latter obtained membership in a regional framework, Japan would consequently become disinterested and attempt to create a new regional framework that did not include US membership. As a result, the development of financial regionalism in Asia exhibited a cyclical pattern.

The motives behind this exclusive financial regionalism remain clouded to some extent, but several hypotheses find support in the narratives presented here. First, Japan expected to strengthen its presence at the regional level by forming a regional group that excluded the United States. Japan would have been able to or was able to behave as a “big brother” vis-à-vis Asian junior partners, because Japan was the only country in the region with representation in global forums and institutions such as the G7 and the Bank for International Settlement (BIS). Japan’s influence on its junior partners in Asia expanded because of the latter’s reliance on Japan as an information source and as a regional voice. The participation of the United States in regional frameworks would have diluted Japanese influence.

In an Asia-only regional framework, Japan was also able to pursue its own particular agenda on issues, such as the revitalization of Tokyo and other Asian markets and the internationalization of the yen—issues that were not likely to be of interest to the United States or which might have even generated US opposition. However, the creation of a regional framework in which Japan held a dominant position was important for Japan, even if it did not have an immediate interest at hand, because it perceived that the framework would be useful in the future.
Through the creation of regional organizations, Japan was able to increase its voice at the global level by effectively representing other countries in the region. If the United States had been included in the same regional group, Japan would not have been able to claim that it represented the region. Japan often expressed frustration when (1) international standards and rules, such as the Basel Accord, were set by Western countries; (2) critical decisions in global institutions, such as the nature of International Monetary Fund (IMF) conditionality, were determined mainly by the United States; and (3) the agenda of organizations such as the G7 were dominated by Western countries’ concerns. Japan attempted to utilize Asian forums to increase its bargaining power at the global level, just as it used its representation at the global level to increase regional influence. In short, by being the only member in those exclusive global institutions and forums from a region, as well as being the only developed member in a regional group, Japan was able to enhance both its regional and global presence on the grounds that it was acting as a bridge between the region and the world.

I begin my discussion by presenting an empirical analysis of Asian regional financial frameworks proposed by Japan from the standpoint of membership, in particular the inclusion or exclusion of the United States, and Japan’s reactions to US participation. I examine four cases: (1) the Executives’ Meeting of East Asia-Pacific Central Banks (EMEAP), (2) the Japan-ASEAN Finance Ministers’ Meeting (Japan-ASEAN FMM) and the Asia-Pacific Economic Cooperation Finance Ministers’ Meeting (APEC FMM), (3) the Four Markets Group and the Six Markets Group, and (4) the Asian Monetary Fund (AMF) and the Manila Framework Group (MFG). These cases clearly illustrate that Japan had a strong preference for a regional framework that did not include the United States. None of the Japanese proposals mentioned here included the United States as one of its original members. Moreover, when the United States obtained membership, Japan soon became disinterested in the framework and attempted to create a new regional framework without the United States. Membership is therefore critical in understanding the fate of past efforts in establishing regional financial institutions.

In the next section I draw out some theoretical implications regarding membership issues and regional financial cooperation. Using case studies, I identify three patterns: (1) the politics of membership, including Japan’s efforts to exclude the United States; (2) Japan’s declining interest in an institution once the United States joined and its subsequent interest in establishing a new Asia-only framework; and (3) the effects of domestic bureaucratic rivalry in Japan on the design of regional frameworks.
In the concluding section, I consider the future of Asian financial regional cooperation in light of US membership in regional organizations. I also discuss the implications of the rise of China on Asian financial cooperation in the future. China’s prospective position and Japan’s past position are similar; the exclusion of the United States is or was necessary for them to assume influence in the region. This implies that it will be China—and not Japan—that will pursue exclusionary regionalism in the field of finance in the future. This prospect signifies a possible scenario wherein Japan will insist on the inclusion of the United States in regional financial frameworks if it comes to find China dominating Asia-only financial frameworks.

Financial Regionalist Projects Before the Asian Financial Crisis

In this section I review the development of four sets of regional financial institutions proposed or established by Japan before the 1997–1998 Asian financial crisis and present an interpretative analysis on those institutions with regard to institutional parameters, particularly membership. It seems that Japan’s strategy was to establish an Asian equivalent of global institutions or forums such as the G7 and the BIS. Japan’s feedback on the discussions at those exclusive global gatherings was one of the main meeting agenda items of Asian-version frameworks. Japan attempted to play the big brother role in the regional group and tried to bridge Asian and global frameworks, expecting to expand its presence at the regional and global level. However, the United States eventually obtained membership in those Japan-sponsored Asian frameworks except in one case, EMEAP, whose achievements are relatively minor. Some cases presented in this section clearly illustrate that an Asia-only framework proposed by Japan and an Asia-Pacific framework proposed by the United States were competing with each other. Japan sometimes clearly aimed to derive specific material benefits by pursuing its own agenda in a regional framework, such as the revitalization of the Tokyo/Asian markets—the Four Markets Group, for example. In other cases, however, Japan appeared more interested in the establishment of a regional framework itself, with future benefits derived from its enhanced institutional position.

Executives’ Meeting of East Asia–Pacific Central Banks

Central banks recognized the significance of financial regionalism immediately after the end of the Cold War. The significance of central banks
when analyzing domestic and international finance cannot be overestimated (Werner 2003). First, matters related to the IMF fall under the auspices of central banks in some Asian countries. Thus, an Asian version of the IMF would not be easy to push forward without involving central banks. Second, the BIS, which plays an important role in international finance, is an international organization whose members are central banks. Thus, an Asian version of the BIS would also be a central bank matter.

In October 1990, the Bank of Japan (BOJ), which had the idea of establishing a regional central bank forum, dispatched a senior official to its counterpart central banks in Asia for consultations. 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. Thus, it is plausible to argue that Japanese policymakers realized the potential of East Asian regionalism at a very early stage, at least in the field of finance.

In February 1991, at its head office in Tokyo, the BOJ hosted the first central bank forum in the East Asia and Pacific region, EMEAP, with half-yearly meetings thereafter (Kuroda and Kawai 2002). In its first two years, EMEAP mainly sought to nurture relationships among member central banks and to exchange economic and financial information, including macroeconomic surveillance. Regular contact, rather than ad hoc meetings, was essential for mutual understanding and economic surveillance (EMEAP 2003). The BOJ’s feedback on the discussion at the BIS and the Basel Committee was another important agenda item at the EMEAP meetings. There is also an unspoken rule that the BOJ would host every second meeting and provide a temporary secretariat (Fraser 1995).

The group was originally composed of central bankers from Australia, Japan, Korea, Indonesia, Malaysia, New Zealand, the Philippines, Singapore, and Thailand. The People’s Bank of China (PBC) and the Hong Kong Monetary Authority (HKMA) joined in 1992 and 1993, respectively. The most distinctive feature of EMEAP’s membership was the exclusion of the United States, despite its interest in membership (Yokoi-Arai 2002). It is commonly understood that in EMEAP, Japan successfully created a regional mechanism by consciously excluding the United States. The reason for the exclusion of the United States was obvious, according to Werner Pascha: closer currency coordination with Asian financial authorities to increase the role of the yen and the Tokyo market had to be pursued without the United States (Pascha 2002). The meeting used the label “East Asia Pacific,” seemingly becoming the first
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A speech in September 1995 by Bernie Fraser, governor at the time of the Reserve Bank of Australia (RBA), spurred EMEAP's development. He proposed the upgrading of financial cooperation in the region, including the establishment of an “Asian version of the BIS,” arguing, “A minimum approach might be a modest permanent secretariat servicing the 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” (Fraser 1995).

This proposal led to the institutionalization of EMEAP, whose first governors' meeting was held in July 1996 in Tokyo. While EMEAP started as a deputy-level meeting, the involvement of governors contributed to the wide recognition of its existence. Moreover, governors agreed to establish three working or study groups at the Tokyo meeting. They were working groups on financial markets, central banking (later, payment and settlement systems), and bank supervision. The structure of these working groups was parallel to the structure of the working groups of the BIS. Thus, the institutionalization of EMEAP conducted in 1996 can be said to have been a virtual establishment of an Asian version of the BIS proposed by Fraser, though EMEAP did not have its own balance sheet.

The institutionalization of EMEAP also attracted the attention of nonparticipants, including the United States, who became interested in EMEAP membership. The United States used the repo arrangements of Treasury bills among EMEAP members in the mid-1990s to try to negotiate EMEAP membership (Yokoi-Arai 2002; Jung 2005). As a matter of courtesy, the United States would be notified of any financial arrangements among central banks concerning the US dollar because they would have an impact on US dollar money supply; the logic was that the involvement of the United States in EMEAP was natural because EMEAP central banks signed the repo arrangements of the Treasury bills.

The puzzling question is why the United States suddenly requested membership only in the mid-1990s. The United States had recognized the significance of financial regionalism since at least the late 1980s (see the next subsection), and therefore requesting membership or blocking the creation of an EMEAP excluding the United States would have been a natural choice when EMEAP was established in 1991. The United States might have been unaware of the organization or might have regarded it as unimportant until the Fraser proposal came along (Oritani 1997). As EMEAP itself admits, the organization started on a confiden-
tial basis (EMEAP 2003) and the information about it was effectively controlled by EMEAP members.\textsuperscript{10} Although the United States has been thirsting for membership, it has been kept out of EMEAP until now. Masayuki Tadokoro (1998) asserts that EMEAP has been successfully keeping the United States out because central bank cooperation is regarded as technical due to its relative independence from the government, and so the exclusion of the United States seldom becomes a diplomatic problem.

The EMEAP central banks have also made a joint effort to ensure that Asian voices are duly reflected in policymaking at the global level. For instance, in 1996, the Working Group on Banking Supervision was recognized by the Basel Committee as one of its regional supervisory groups. In 2001, the working group sent a letter commenting on the draft of the New Basel Accord. The letter addressed the concerns among Asian countries that the then proposed New Basel Accord was unfavorable to Asian commercial banks (McCaulley 2003). The content of the letter was very much in line with Japan’s views on the proposed New Basel Accord. In a similar vein, EMEAP’s Working Group on Payment and Settlement Systems compiled the so-called Red Book, which covered the payment system of EMEAP members under the initiative of the BOJ on the grounds that the BIS’s Red Book did not cover most EMEAP members.

In summary, EMEAP was established as a regional central bank forum excluding the United States in the early 1990s under the initiative of the BOJ. EMEAP was designed in line with the organizational structure of the BIS and was regarded as an Asian version of the BIS. The BOJ’s feedback on the discussion at the BIS was important to other EMEAP members mainly because the BOJ was the only Asian central bank that was a member of the BIS/Basel Committee, and the BOJ led EMEAP’s tasks related to the BIS in Asia on the grounds that other EMEAP members did not have BIS membership in the 1990s. It can be said that EMEAP has been a “successful” case in the sense that it has kept the United States out of the institution until now. At the same time, it should be noted, however, that its achievement has been minor compared with the tasks that other institutions attempted to do, which are introduced in the following paragraphs.

\textit{Japan-ASEAN Finance Ministers’ Meeting and APEC Finance Ministers’ Meeting}

In addition to the BOJ, the Japanese Ministry of Finance (MOF) has also been interested in Asian regionalism since the early 1990s. As early as 1991, when Tadao Chino became vice-finance minister for 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) in 1966 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 that Asian countries should have a voice in the international financial community equivalent to their national capacity (Yomiuri Shimbun, July 25, 1991). He called himself pro-Asian and visited Asian countries in the following month—the first time a vice—finance minister had chosen 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,” Chino maintained a modest position toward the group; he described it as an informal and ad hoc meeting for “heart-to-heart communication” among regional financial officials (Nikkei Bijinesu, October 31, 1994). Although there seems to be no clear membership rules because of its informality, the participants had to come from Asian countries. For example, the March 1993 meeting in Osaka included participants from Australia, China, Indonesia, Japan, Korea, Malaysia, New Zealand, and Thailand (the Chinese participant was from the central bank). Besides holding heart-to-heart discussions, the aim of the forum was to provide MOF feedback from G7 discussions to Asian countries (Yomiuri Shimbun, February 26, 1993).

In 1994, the MOF’s relations with Asian counterparts were upgraded to minister-level. According to Yoichi Funabashi (1995), the first Japan-ASEAN FMM was held in October 1994 in Madrid, the site of the IMF annual meeting. It is important to note that the meeting was a Japanese initiative, unlike other Japan-ASEAN processes. The Japan-ASEAN Foreign/Economic Ministers’ Meeting is always held back-to-back with the ASEAN Foreign/Economic Ministers’ Meeting. However, when the Japan-ASEAN FMM was launched, the ASEAN FMM did not exist. ASEAN held the first FMM in March 1997. In short, the Japan-ASEAN FMM was created under a Japanese initiative prior to the ASEAN FMM initiative.

Meanwhile, the United States held different views on the relevant membership of regional finance ministry cooperation. Although it is not widely known, the roots of the financial regionalist projects of 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 brain-
stormed 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” (Baker 1995, 609). According to the *Wall Street Journal* (August 3, 1988, and September 19, 1988), Baker, in his final months in office, undertook the effort to forge a new regional framework called the Pacific Economic Policy Coordination Group. The prospective participants in the group were Hong Kong, Korea, Japan, Singapore, Taiwan, and the United States. Its purpose was to coordinate macroeconomic policies to reduce trade imbalances. However, this project was abandoned due to lapse of time and the diplomatic difficulty of involving Taiwan and Hong Kong (Baker 1995).

Although the Baker proposal did not result in an actual policy outcome, it had two important implications. First, the United States considered itself “in” the Pacific region. While the term *Asia-Pacific* implies Asia plus the Pacific, the United States consistently used the term *Pacific* to refer to all areas around and on the Pacific, including both Asia and North America. The second point is that even before the end of the Cold War, the US government recognized the significance of regionalism including both US and Asian financial authorities. 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 in them. The request for membership in EMEAP and the Four/Six Markets Group (described in the next subsection) falls under this category. The second policy for the United States was to take its own initiatives to establish regional groupings. The APEC Finance Ministers’ Meeting (APEC FMM) is an example of this.

The United States proposed to establish the finance ministers’ process within APEC at the first APEC summit, held 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. The first APEC FMM was held in Honolulu in March 1994. Before the meeting, there was an understanding among concerned parties that the Honolulu APEC FMM was a one-off event, and not the start of annual regular meetings. And the US government agreed to this limitation. But at the same time, US officials unofficially expressed the view that regular hosting of the FMM was desirable.

Meanwhile, Asian members of APEC, including Japan, were reluctant to annualize the APEC FMM (*Financial Times*, March 21, 1994; *Sankei Shimbun*, March 10, 1994). 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 (Yomiuri Shimbun, March 23, 1994). As a result, the United States successfully inserted in the Honolulu Joint Ministerial Statement 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.” 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 (January 17, 1994) argued that the creation of the minister-level financial framework that included both Asia and the United States would leave Japan behind. It concluded that the United States would directly lead Asian countries in the Asia-Pacific financial framework, while Japan would have played some intermediate role between Asia and the United States had there been no such framework. The timing of the establishment of the two finance ministers’ meetings should not be overlooked. The Japan-ASEAN FMM was formulated just a few months after the establishment of APEC FMM. Thus, it can be said that the APEC FMM caused the MOF to pursue the Japan-ASEAN FMM, which excluded the United States. Funabashi (1995, 214) 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.” In fact, even after the Asian financial crisis, Japan organized the Japan-ASEAN FMM (plus Korea) to solve the financial turmoil.

In summary, the efforts made by the Japanese MOF and the US Treasury to establish regional finance ministers’ meetings clearly illustrate the competition between the Japan-sponsored Asia-only framework and the US-sponsored Asia-Pacific framework. In the early 1990s, the MOF initiated a gathering among regional finance ministry officials, excluding the US Treasury. Meanwhile, the United States eventually initiated its own regional finance ministers’ meetings through APEC in early 1994. Japan was not enthusiastic about the finance ministers’ meetings under APEC and instead attempted to deepen the collaboration of Asian finance ministries under its auspices. Japan-ASEAN FMM was organized in late 1994, when ASEAN did not hold its own FMM.

**Four Markets Group and Six Markets Group**

In the early 1990s, in addition to the finance ministers’ meetings, the MOF also sought to form a smaller regional group among specialists fo-
cused on countries in the region that had major financial markets. The first meeting of the Four Markets Group took place in Hong Kong in May 1992 under a MOF initiative, as proposed by the then vice–finance minister for international finance, 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 United States and Europe,” as reported in the *Australian Financial Review* (February 26, 1997). The members of the group were Japan (MOF), Hong Kong (HKMA), Singapore (Monetary Authority of Singapore), and Australia (Australian Treasury and RBA). The BOJ was not a member. The participants were director-general–level officials.

Held twice a year, the Four Markets Group aimed to strengthen the relationship among regional financial authorities and to exchange market information, especially with regard to foreign exchange markets. Debriefing on the discussion at the G7 meetings by the MOF was also an important session in the meetings. Another important agenda item of the group was the development of regional bond markets in which Japan had a strong interest because it would help revitalize the Tokyo market. The use of a regional currency in issuing bonds was also important for Japan because this is closely related to the internationalization of the yen. Interestingly, those were important agenda items of the Four Markets Group (and revived Four Markets Group), not the Six Markets Group.

In March 1997, the Four Markets Group was upgraded to the Six Markets Group, as the United States and China joined, and the level of the participants was raised to vice-minister or vice-governor. Central banks, including the BOJ, the US Federal Reserve, and the PBC, were also invited to the meeting. This upgrade was organized by the United States (Ostry 1997). The then vice–finance minister for international finance, Kato Toshihiko, who chaired the first Six Markets Group meeting, also recalled that the United States had “heard” of the existence of the Four Markets Group and requested participation in the group (Kato et al. 2002). The United States did not consider the group useful because existing multilateral forums such as the WTO and APEC were viewed as more important. But it decided to join—so as not to be excluded from regional financial cooperation (*Korean Economic Review*, March 13, 1997). Because this group did not use any geographical label, the inclusion of the United States did not lead to dogmatic questions about whether the United States was in the region or not. The group simply changed the name from the Four Markets Group to the Six Markets Group.

There seemed to be no great disagreement about Chinese membership. China itself was unequivocally interested in joining the group (*Aus-
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The Australian Financial Review, February 26, 1997). One of the reasons for this was that Hong Kong had already participated (Korea Economic Weekly, March 19, 1997). Japan also realized the significance of China to the regional economy and did not seem to object to its participation. Also, the possibility that the United States attempted to engage China by including it in a regional financial framework cannot be ruled out. But the Chinese membership was not well received by outsiders, particularly Korea and Taiwan, which considered themselves more qualified candidates in terms of market development (Lipsy 2003). Though it is unknown whether Taiwan and Korea requested membership in the group officially, journalists sometimes asked why the group’s membership had not expanded to include the two economies (Nikkei Kinyu Shimbun, March 5, 1997). But neither economy ever joined the group.

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, China, and the United States—and was considered an optimal forum for substantive discussions. Many foresaw that it could upgrade to a minister-level gathering and evolve as an Asian G7 (Yomiuri Shimbun, March 6, 1997), although it never did; the group lost momentum soon after its expansion and no meeting has been held since February 1999.

Strikingly, however, Japan’s MOF revived the Four Markets Group in September 1999 without the participation of the United States and China (Nikkei Shimbun, August 22, 1999). 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 excluded outsiders and partly because it consisted only of 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, 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 just because of its exclusion of the United States. But its limited membership, especially compared with ASEAN+3, reduced its usefulness as an Asian forum.

The Four/Six Markets Group is again an interesting case for examining the membership preferences of Japan and the United States. The group started small, consisting only of three Asian members and Australia, and the MOF attempted to pursue its agenda, including the internationaliza-
tion of the yen and the revitalization of Asian/Tokyo markets. Meanwhile, the group expanded membership in 1997 to include the United States. The MOF then became disinterested in the group’s activities, partly because the group’s meeting agenda shifted away from its original purpose set by the MOF, namely the internationalization of the yen and the revitalization of Asian/Tokyo markets. But the MOF revived the Four Markets Group, successfully excluding the United States again, and reinserted its important agenda into the group’s activities in 1999. However, the Four Markets Group’s advantage was limited by its exclusion of the United States (at least for the MOF), and its very limited membership reduced its usefulness as an Asian forum.

Asian Monetary Fund and Manila Framework Group

Although some consider the AMF proposal an outcome of the Asian financial crisis, the project dates to well before 1997. Haruhiko Kuroda studied the idea of a regional monetary fund in the MOF at an early stage, 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 (Sakakibara 2000; Kuroda 2004). By autumn of 1996, the Institute of International Monetary Affairs (IIIMA)—affiliated with the Bank of Tokyo-Mitsubishi, which had strong connections to the MOF—had formed a study group on regional monetary funds (Shinohara 1999; Lipscy 2003). In particular, Gyoten Toyo (IIIMA president and former vice-finance minister for international finance) and Shinohara Hajime (IIIMA managing director) were deeply involved in studies of regional monetary funds.21 The group finalized the study and produced the preliminary paper for the creation of an AMF by early 1997 (Shinohara 1999).

The MOF planned to propose the AMF on the occasion of the ADB annual meeting in Fukuoka in May 1997, referring to it as the Gyoten Initiative (Lipscy 2003). Taking a cautious stance, the MOF did not make the proposal by itself and used the name of a former official. But the launch of the idea was eventually postponed because it determined that the plan was unlikely to win support from regional economies. Some say that Taiwan and Korea were suspicious of the MOF’s regionalist policy partly because it had not invited the two to the Six Markets Group meeting a few months before and that they were not supportive of the plan (Lipscy 2003).

AMF momentum increased, however, with the onset of the 1997–1998 financial crisis. As countries gathered in Tokyo on August 11, 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 $17.2 billion rescue package was agreed by concerned countries and international organizations, including the IMF, the World Bank, and the ADB. Contributors included Australia, Brunei Darussalam, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, and Singapore. The United States participated in the meeting but did not contribute funds.

Under this favorable situation for Japan, the then vice–finance minister for international finance Eisuke Sakakibara decided to push immediately for the creation of the AMF, while keeping the United States 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, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, and Thailand. Because it had resisted contributing to the Thai package, the United States was not a prospective member. Around September 10, Sakakibara sent out an unofficial AMF outline paper to Hong Kong, Indonesia, Korea, Malaysia, and Singapore that was not intended for US eyes (Blustein 2001). A few days later, Finance Minister Hiroshi Mitsuzuka sent a letter to all prospective AMF members proposing a meeting, using the occasion of the IMF annual meeting in Hong Kong to finalize discussion about creating the AMF. Japan did not send this letter to the United States simply because the United States was not a prospective AMF member. Moreover, the MOF actively used the occasion of the Asia-Europe Meeting (ASEM) FMM on September 18 to lobby Asian countries because the United States was not an ASEM member. The ASEAN FMM, held back-to-back with the ASEM FMM, officially supported the AMF.

The United States had been attempting to get involved in regional financial mechanisms and by mid-September had obtained the unofficial AMF outline paper. Lawrence Summers, deputy secretary of the treasury, immediately called Sakakibara and complained of the lack of communication between Japan and the United States. The United States subsequently sent out a letter signed by Treasury Secretary Robert Rubin and Federal Reserve Chairman Alan Greenspan to all APEC finance ministers and central bank governors implying US interest in forming an Asia-Pacific cooperative framework for crisis resolution. The United States then strongly requested to participate in the Hong Kong preparation meeting for the establishment of the AMF. Alongside the ten prospective Asian AMF members, the United States and IMF participated as observers at the meeting chaired by Sakakibara on September 21. Japan, Korea, and ASEAN supported the AMF, but the United States and IMF opposed it.24
US policy actions after the Hong Kong meeting were prompt and strategic. The Treasury Department carefully analyzed the sentiment of Asian policymakers. Timothy Geithner, assistant treasury secretary for international affairs, produced a report on September 30 in which he argued that “the approach outlined in the Rubin-Greenspan letter was likely to prove insufficiently compelling to avoid some regional financing mechanism [in Asia]” (emphasis added) (Blustein 2001, 168). At the same time, the United States appealed to its close relations with Asian countries, as is made clear by its financial contribution to the Indonesian rescue package, unlike in the case of Thailand.

A meeting to conclude the discussion on the relevant regional financial architecture in Asia was then held in Manila in November 1997. Participants included contributors to the Indonesian rescue package and Canada (as current APEC chair), so the United States was involved. In other words, the members were Australia, Brunei Darussalam, Canada, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, the United States, and three international organizations (IMF, World Bank, and ADB). Both finance ministries or treasuries, and central banks were involved. At the Manila meeting, participants agreed that a half-yearly regional surveillance forum, the Manila Framework Group, which included the United States, should be established and that the new group should supplement the activity of the IMF. In short, because the United States did not contribute to the Thai package and this resulted in the AMF proposal excluding the United States, it contributed to the Indonesian package, attended the Manila meeting as a “regional” state, and established the MFG, in which it was included.

It is important to note that the United States opposed the creation of the AMF, not the creation of a regional monetary fund per se. In fact, using the occasion of the OECD Working Party III meeting, held in Paris on September 8, Sakakibara explained the plan of the AMF to Summers. Summers did not reject the idea at that time. The reason why Summers did not oppose the plan was that, as Sakakibara admits that he found out later, Summers misunderstood that the United States was included in the prospective membership of a new regional fund (Sakakibara 2000, 184). The United States would have accepted the establishment of regional financial arrangements so long as they included the United States and supplemented the IMF. It is inaccurate to argue, therefore, that the United States rejected the AMF; its opposition led, instead, to its counterproposal of the MFG, a regional framework that included the United States.
Theoretical Implications: Membership Politics of Regionalism

In this section, I draw out some theoretical implications regarding membership issues of regional financial cooperation. Three observed patterns of membership politics can be abstracted from the narrative on Asian financial cooperation in the 1990s provided in the presented case studies. First, there is a pattern with regard to the inclusion and exclusion of major powers: Japanese proposals tended to exclude the United States, while the US proposals quite naturally did not. Second, if we analyze various proposals of establishing a regional institution in a sequential manner, there is regularity between the membership expansion of a certain regional framework and the proposal of a new regional institution. Whenever the United States obtained membership in a previously Asia-only regional framework originally sponsored by Japan, making the framework an Asia-Pacific one, Japan attempted to create a new Asia-only regional framework.

Finally, we note that there is a corresponding domestic politics of regionalism emanating from conflicts between the Ministry of Finance and the Bank of Japan. Whenever the Japanese central bank took the lead in establishing a regional framework, the finance ministry was excluded from the framework, and vice versa.

Patterns of Membership in Regional Institutions: Politics of Inclusion and Exclusion

Membership in any regional institution is always the outcome of policy decisions by those who initiate the organization and/or its incumbents. As we have seen, membership varies significantly from institution to institution. Japan and Singapore are the only countries that are included in all regional frameworks analyzed in this article (see Table 1). Although the argument by Stuart Harris (2000)—that “the definition of the region . . . is what the states of the region make of it”—is relevant, the empirical evidence I present in this article seems to suggest that states “outside” the region are also important in determining the membership of institutions.

From the perspective of a potential founder or a country that proposes a regional institution, regionalism is regarded as a mechanism by which to maintain or increase influence on other members. For a potential founder, the exclusion of a more influential state that would assume the leading position in a regional framework if it were included is a necessary condition to achieve this goal. It is important to note that the target of exclusion is usually an influential state, not a weak one.
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Notes: X = founder or the country making the proposal; x = other members. Table includes major members only. In addition to those listed, APEC members in 1994 included Mexico, Papua New Guinea, and Chile. The Manila Framework Group also included Brunei Darussalam.
It is difficult to assess a priori which country assumes influence in a regional framework. It all depends on the membership of the regional framework. For example, when a framework including both Japan and the United States is created, Japan’s influence would be limited, while Japan may easily assume influence within a regional framework without the United States. Although the concept of influence is not definitive, it is not difficult to regard the United States as more influential than Japan when both are included in the same regional framework; this would be exactly the perception of Japanese policymakers and the reason why a regional framework without the United States is Japan’s preference. For a minor power, holding a dominant position in a regional framework with a limited membership is a necessary condition to assume influence in it; this is the rationale of the control of membership.

Japan was in such a position at least in the 1990s, insofar as financial cooperation is concerned. As I demonstrated in the empirical section, Japan always attempted to establish regional frameworks without the United States. In fact, in the early 1990s, the Japanese central bank established a vice-governor–level regional forum, EMEAP. The MOF established a director-general–level gathering called the Four Markets Group in 1992, which was transformed into the Six Markets Group in 1997, but revived the Four Markets Group in 1999. Moreover, the MOF established the Japan-ASEAN FMM in late 1994, immediately after the United States hosted the first APEC FMM in early 1994. Furthermore, the MOF attempted to create a new Asian regional financial framework, the AMF, when the financial crisis occurred.

While less obvious, it seems that Japan also attempted to exclude China at least from the original membership of Asian financial frameworks. China was not an original member of EMEAP, and the Four Markets Group started without China, while the country obtained membership in EMEAP and in the Six Markets Group in 1992 and 1997. Similarly, Japan had been interested in the Japan-ASEAN Finance Ministers’ Meeting, rather than the ASEAN+3 Finance Ministers’ Meeting in the mid-1990s. While the proposed AMF included China, Japan did not fully consult on this matter with China.

In contrast, from the perspective of a country that is placed outside a regional framework, being included as a member per se is of fundamental significance. Getting a seat in a meeting is critical irrespective of the agenda of the meeting, which is decided by the participants. As Fareed Zakaria (2005) observed, “If you’re not at the meeting, no one will protect your interests and your agenda.” Such a situation is especially true for a powerful country that could be a target of exclusion. In fact, the
United States attempted to obtain EMEAP membership without success. The United States, however, successfully became a member of the Six Markets Group by transforming the Four Markets Group to the Six Markets Group. Under a US initiative, the APEC FMM was created in 1994. The United States did not support the AMF and rather counterproposed the MFG, a regional economic surveillance system that included the United States, with the goal of preventing the establishment of the AMF.

Understanding the significance of membership in explaining regionalist policy leads us to a very primitive but practical question: How do states control the membership of regional frameworks? From the perspective of a country seeking to pursue exclusionary regionalism, how does it launch a regional framework with a small and exclusive membership? Starting from institutions that downplayed their own proposals is a good strategy in this regard; EMEAP, the Four Markets Group, and regional finance ministry meetings that led to the Japan-ASEAN FMM all began with minimum institutional structures and modest objectives. Keeping a proposal confidential so that outsiders do not become aware of the significance of the proposed regional framework also seems to be an effective way to achieve exclusion. In this context, the AMF is a typical unsuccessful case because it was proposed in a highly provocative manner that led to strong opposition from the United States.

The second question is how to avoid requests from outsiders to participate. An interesting finding in this research is that one regional framework without a definitive regional label—the Four Markets Group—easily expanded its membership by simply changing the name to the Six Markets Group. The names that clearly suggest who should be included, such as Japan-ASEAN FMM, seem more effective in avoiding the request for membership by the United States. Japan preferred to use the geographical label of “Asia” or “East Asia” to justify the exclusion of the United States, while the United States preferred “Asia-Pacific” or even “Pacific” to insist that the United States was in the region.

Patterns of Rise and Fall of Regional Institutions:
The Regionalism Cycle
Above I examined the patterns of membership in each regional institution, but it is also interesting to analyze the series of proposals as a whole. The institutional development of one regional institution could be a trigger for the evolution of a new regional framework. A dynamic analysis of the rise and fall of various regional institutions is necessary to have a complete picture of Asian financial cooperation in the 1990s.
The proliferation of regional financial forums in 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 regional financial frameworks intended to exchange market and financial information and to conduct economic surveillance. Rather, the rivalry between Japan and the United States seems central to the evolution of institutions.

One interesting observation relating to Japan’s policies is that Japan made a proposal on a new Asia-only financial framework when an old regional financial framework extended its membership to the United States, or when a financial framework that included the United States was established. Japan wanted to have at least one regional financial cooperative framework from which the United States was excluded and in which it could therefore assume leadership. Japan’s attempt to establish Japan-ASEAN FMM, immediately after the United States hosted the first APEC FMM, and its proposal to establish the AMF soon after the Four Markets Group was upgraded to include the United States are examples of this.

The development of Asian financial cooperation in the 1990s provides evidence of what might be called a regionalism cycle (see Figure 1). The cycle has four phases. First, Japan proposes and establishes a regional framework that includes Asian members only (Phase I). When the United States becomes aware of the existence of a regional framework established by Japan that does not include the United States, the United States attempts to get membership or makes a counterproposal if securing membership is difficult (Phase II).

If the United States successfully obtains membership, the framework is no longer an Asian framework, and it becomes an Asia-Pacific institution (Phase III, left column). An alternative scenario is that an Asia-Pacific framework sponsored by the United States, which may compete with a Japan-sponsored Asian framework, is established (Phase III, right column). As a result of the extension of membership, Japan loses interest in the transformed regional framework in which the United States plays a dominant role. Japan alternatively faces a relative decline of its own Asian framework after the rise of the newly established Asia-Pacific framework sponsored by the United States (Phase IV). In any case, Japan attempts to create a new Asia-only regional framework where it can play a dominant role (returning to Phase I).

The Four Markets Group is a typical case that follows such a regionalism cycle. In 1992, it started as an Asian meeting that included Japan, Singapore, Hong Kong, and Australia but excluded the United States. The United States obtained membership in March 1997, but Japan
abandoned the Six Markets Group (despite the fact that many regarded the Six Markets Group as an Asian version of G7) and attempted to establish the Asian Monetary Fund in August 1997. The life of the AMF also fits into this cycle well. After the proposal was made by Japan, the United States made a counterproposal on the Manila Framework Group, once it found that Japan’s intention was to establish an Asian Monetary Fund, not an Asia-Pacific framework. Although the Manila Framework Group targeting regional surveillance issues was established in November 1997, Japan did not utilize this group and instead supported financial cooperation under the ASEAN+3 group.

While less clear, APEC FMM and Japan-ASEAN FMM also follow this regionalism cycle, if the two are analyzed together—both the Japan-sponsored finance ministers’ meeting in Asia and the US-sponsored finance ministers’ meeting in Asia-Pacific were established in 1994. As a result of this, neither finance ministers’ meeting played a critical role in preventing and solving the financial crisis. Competition simply resulted in the proliferation of less effective regional financial cooperative frameworks.
The case of EMEAP can be said to be a “successful” case from the Japanese (especially Japanese central bank) perspective, at least as far as membership issues are concerned. Although the United States manifested an interest in EMEAP membership, EMEAP has kept the United States out of the group.

Patterns of Exclusion of Rival Agencies: Domestic Politics
So far I have discussed the membership preference of countries, mainly Japan. As we have seen, Japan consistently sought to exclude the United States. But it should be noted that it is only an agency within Japan that actually draws up policies relating to financial regionalism. Although the broad pattern we have outlined holds for Japan’s policy toward financial regionalism, we also see evidence of rivalry between agencies to play the lead role in the institutionalization process.

In the field of international finance, there are usually at least two major players: finance ministries and central banks. In the case of Japan, the rivalry between the Ministry of Finance and the Bank of Japan seems to be prominent—at least when regional financial cooperation becomes the matter (Werner 2003). The BOJ established EMEAP in 1991 but has kept the MOF out of the institution, except its subsidiary working group on bank supervision, despite the MOF’s interest in EMEAP membership. Likewise, the MOF did not invite the BOJ when it established the Four Markets Group in 1992, and the Japan-ASEAN Finance Ministers’ Meeting process did not involve central banks either.

The exclusion of the MOF/BOJ by the BOJ/MOF becomes evident when those are compared with regional cooperation frameworks proposed by the United States. All regional frameworks proposed by the United States included both finance ministries/treasuries and central banks. The APEC finance ministers’ process initiated by the United States regards its deputy-level meetings important since deputies’ meetings included both finance ministries and central banks. When the Four Markets Group was upgraded to Six Markets Group to include the United States, central banks also became formally included. The MFG organized by the United States also included both finance ministries/treasuries and central banks.

Moreover, there is a possibility that the BOJ was not fully supportive of the AMF proposal when it was made by the MOF. In fact, one of the senior officials at the BOJ commented, “Sakakibara’s AMF idea had little domestic support as a challenge to the existing IMF regime. Although Sakakibara’s enthusiasm for the AMF might create the impression
that Japan was promoting the creation of a new regional financial regime, most officials in the BOJ were reactive in their response to the plan for an AMF” (Othman 1995, 450). The collaboration between the MOF and the BOJ in the AMF proposal was insignificant, unlike in the United States where the Treasury secretary and Federal Reserve chair sent a joint letter to APEC members to deter them from supporting the Japanese proposal.

The exclusionary regionalist policy conducted by the MOF and the BOJ implies that having a limited membership by excluding a rival agency in the country is necessary to hold a dominant position in the group. This is especially true for the BOJ, which may be deprived of the leadership role if MOF were included in a regional framework. For the BOJ, excluding the US agencies was not a sufficient condition to assume a leadership role—it needs to exclude the Japanese MOF, too, in order to assume such a role in a regional financial framework.

**Conclusion: Future Prospects for Asian Financial Cooperation**

While a commonplace view holds that Asian financial regionalism is a relatively new phenomenon that became significant only after the Asian financial crisis of 1997–1998, I argue in this article that the trend toward Asia-only financial regionalism existed at least from the early 1990s. Asian countries, especially Japan, have had a strong desire to establish an Asia-only financial cooperation framework since the early 1990s. The policy stance of the United States, in contrast, was to participate in Asian forums and to propose and establish regional groupings that included the United States.

Membership—and battles over membership—are key factors in understanding the early evolution of Asian financial regionalism. As far as financial cooperation is concerned, regionalism can best be interpreted as an attempt to create a cooperative framework with limited membership to maintain or increase influence on other members, while excluding more influential states from the framework. The target of exclusion is usually influential—as opposed to weak—states. For excluded parties, it is important to be included in a regional framework. Opposition to such an exclusionary regional framework usually involves securing “participation” in one form or another, or making a counterproposal for a more inclusive regional framework.

The regionalism cycle I have discussed here also helps shed some light on the future of ongoing financial cooperation under ASEAN+3.
From a membership standpoint, the critical issue regarding Asian financial cooperation continues to be the exclusion or inclusion of the United States. Is the current form of financial cooperation consisting of only Asian countries acceptable for members as well as nonmembers, especially the United States? If the past repeats itself, the United States can be expected to show interest in participating in financial cooperation schemes under ASEAN+3, such as the Chiang Mai Initiative Multilateralization (CMIM). The very concrete question that Asian officials need to consider is how to respond if the United States offers to generously contribute to the funding of the CMIM? As has been seen before, the opposition to regional cooperation by external parties usually takes the form of efforts to participate.

The rise of China is a crucial factor to consider in analyzing the future of Asian financial cooperation. While Japan was a very dominant country in Asian financial groupings in the past, China is rapidly catching up. The equal contribution of Japan and China to the CMIM is a good example of China’s increased influence. In the near future, it is likely that China will hold the dominant status in a regional financial group if the United States were to be excluded. This implies that what may be desirable for China in the future in terms of membership in regional financial cooperation frameworks is similar to what Japan pursued in the past. China may become a seeker of regional financial cooperation that does not include the United States once China finds that it has surpassed Japan in regional influence. In fact, in the field of diplomacy or summitry (as compared with the field of finance), where China’s dominance vis-à-vis other Asian countries is already evident, China has a strong preference for a regional framework that excludes the United States, such as the ASEAN+3 summit.

Given the rise of China, Japan will face competing calculations with regard to Asian financial cooperation in the future. On the one hand, Japan’s future position will be similar to China’s past position in the sense that it cannot be a leader even if the United States is excluded. Thus, Japan may lose interest in Asia-only financial cooperation as China comes to play a more dominant regional role. On the other hand, as China rises, Japan may reevaluate its interest in regional cooperation. It may attempt to secure its interests by creating a durable regional framework favorable to itself while it is still influential. Moreover, as China rises, Japan may attempt to create a regional financial framework that includes the United States. Such a scenario is likely, especially if Japan were to conclude that US-led financial cooperation is better than China-led financial cooperation, or that a diarchic framework co-led by the United
States and China is preferable to a Chinese-dominated framework. In fact, in the field of regional summitry, such a phenomenon is already evident: Japan has expressed support for the inclusion of the United States in the East Asia Summit.

Three scenarios can be considered regarding the form of membership in a future regional financial cooperation framework in Asia. The membership preference of Japan and China, in particular, on whether or not to include the United States will be the central question. While Japan was interested in creating an Asia-only financial framework in the past, it is unlikely that Japan will maintain the same position going forward:

Scenario 1: A China-led financial framework that excludes the United States and Japan. If China succeeded in excluding both Japan and the United States, China would easily assume an exclusive leadership position in a small regional framework. In the case of trade, in fact, China took the initiative of creating the ASEAN-China Free Trade Area. However, in the case of finance, given that the ASEAN+3 framework already has concrete achievements, such as the CMIM, it is no longer possible to exclude Japan. Moreover, Japan’s ongoing significance as a financial center would make such arrangements anomalous.

Scenario 2: An Asia-only financial framework co-led by China and Japan. The CMIM appears to reflect this model, with equal contributions to the fund from both major regional powers; indeed, both enjoy an effective veto. The question is whether an equal partnership between Japan and China will continue to be acceptable to both parties over time as China continues to grow and Japan starts to decline. The co-leadership position between China and Japan in an Asian financial framework may be unacceptable to China, especially when its financial power surpasses that of Japan.

Scenario 3: An Asia-Pacific financial framework co-led by China and the United States. If Japan finds that the ASEAN+3 financial framework is dominated by China, Japan may try to balance China by extending membership to countries like the United States, Australia, New Zealand, India, and others. The United States may also have an interest in participating in the ASEAN+3 financial framework, especially if the delinkage between the CMIM and the IMF becomes likely. Japan’s preference to include the United States already seems to be evident in the field of diplomacy, but in terms of financial regionalism, more time is needed to assess whether a similar development is likely to take place.

It is not an exaggeration to say that membership preferences determine a state’s regionalist policy. In particular, the rise and fall of various financial regionalist projects can be explained to a considerable degree
by membership factors. In summary, not only who is included, but also who is *not* included is a critical factor in understanding the evolution of financial regionalism.

Shintaro Hamanaka is an economist at the Office of Regional Economic Integration of the Asian Development Bank and an honorary research fellow at the White Rose East Asia Centre in the UK. His research interests include political economy of regionalism, regional economic architecture in Asia, and free trade agreements, particularly regional services agreements. He is the author of *Asian Regionalism and Japan: Politics of Membership in Regional Diplomatic, Financial and Trade Groups* (2009).

Notes

1. Due to space limitations, Asian regionalism related to fields other than finance, such as trade (free trade agreements; FTAs) and summitry, is not covered in this article. For a comparative study of Asian summitry, financial, and trade regionalism, see Hamanaka (2008).

2. ASEAN+3 comprises the ten member economies of the Association of Southeast Asian Nations plus China, Japan, and Korea.

3. Whether or not such a trend existed before the 1990s is beyond the scope of the analysis. On the financial cooperation in Asia before 1990s, see Hamanaka (2009).

4. Among major East Asian states, the central banks that send governors to the International Monetary Fund (IMF) are China, Hong Kong before 1997, Indonesia, the Philippines, Singapore, and Thailand. In the case of Japan, Korea, and Malaysia, each country’s finance ministry sends governors to the IMF.

5. For EAEC, see Hook (1999).

6. Another important feature of EMEAP is the noninvolvement 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’ meetings (EMEAP 2003).

7. An interesting fact about the name is that Higashi Ajia–Oseania, which means East Asia–Oceania, is used in the Japanese name. This seems to have the effect of shelving the problem of inclusion or exclusion of the United States, 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 Taiheiyo (the Pacific). In other words, the use of Oceania in the Japanese name prevented Japanese policymakers from considering whether the United States should be included; the exclusion of the United States was simply justified by the use of Oseania.

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. Committees of the BIS include Committee on the Global Financial System (CGFS), Committee on Payment and Settlement System (CPSS), and Basel Committee on Bank Supervision (BCBS).
10. In fact, articles about EMEAP in Japanese and English newspapers did 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 in 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 not indicating that the meeting was likely to be annual. That EMEAP was established in February 1991 and that half-yearly meetings had been held since then seem hardly to have been known, except to EMEAP participants. The very important matters regarding EMEAP, such as Chinese participation in 1992, were not reported in any newspaper.

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

12. At this time, the ASEAN+3 FMM also did not exist. The First ASEAN+3 FMM was held in April 1999. See Hamanaka (2009, 117).


15. 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.


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

18. Because the Monetary Authority of Singapore and the Hong Kong Monetary Authority are central banks “within” a government, the Four Markets Group can be said to be a group consisting only of governments.

19. The issuance of a bond denominated in regional currencies rather than in US dollars, and foreign exchange transactions involving direct conversion between regional currencies (e.g., Japan yen to Korean won, not via US dollars) are important to increase the use of regional currencies.

20. See the argument at the workshop among four parties organized in Tokyo in 2000. Available at www.iima.or.jp/pdf/work00_09.pdf.

21. Japan’s Ministry of Finance and Gyoten Toyo also organized a meeting for regional central banks and monetary authorities, in April 1996, to which the United States was not invited. This was before the study group on regional monetary funds was created. See Terry (2000).

22. 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 (e.g., Kuroda 2004), they do not coincide perfectly; the Philippines was included in the membership although it did not contribute, and Brunei Darussalam, vice versa. It can be said that the fact that the United States did not contribute to the Thai package was a good pretext for Japan to exclude that country.

23. For ASEM, see Bobrow (1999).
24. Australia and Hong Kong remained neutral, just making general comments without mentioning support or opposition, and China did not speak out at all. This meeting was unable to conclude the argument.

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

26. Fred Bergsten—a close aide to the administration of US president Bill Clinton and head of the Institute for International Economics (IIE) in Washington—clearly argued that an Asia-Pacific Monetary Fund that included the United States was useful. See Bergsten (1998).

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