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Shiro Armstrong (Ed.) The Politics and the Economics of Integration in Asia and the Pacific. Abingdon: Routledge, 2011.

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Regionalism in the Asia-Pacific region is the result of market-led dynamics. Driven by unprecedented dynamics of trade, investment, and the fragmentation of production processes, the region has taken a trajectory greatly different than that of world regions such as South Asia or Europe. The future of Asia-Pacific's economic integration will depend on the trajectory of the political economy of liberalization (*i.e.* the move from state-level "border-barrier liberalization" to economic reforms of trade that include the removal of "behind-the-border barriers" at a regional level). Therefore, the essays by Shiro Armstrong and his collaborators examine the various ways and conditions through which politics shape economic integration in the Asia-Pacific region. The eight chapters included in this volume provide comprehensive empirical data tracing the mechanisms and patterns of economic integration since the 1980s and reflect the changing dynamics that Asia-Pacific regionalism has undergone since that time. As such, the authors offer an informed economic analysis that takes stock of the current dynamics and provides insights for critical policy revisions.

Instantiated by the economic ascendance of post-war Japan, the emergence of the newly industrialized economies (NIEs) such as those of South Korea and Taiwan in the 1970s and 1980s, and the economic opening of China in the 1980s, the Asia-Pacific region, particularly East Asian countries, have witnessed rapid growth in intraregional trade, investment flows, and production networks. Driven by the emergence of "Factory Asia" and the proliferation of "mini Matsushitas" throughout the region, intraregional trade and economic growth in East Asia have reached levels similar to those of Europe and North America. Trade within East Asia has reached a proportion of 54.5 per cent in 2006, while the region's contribution to global economic growth reached a share of 50 per cent during the first half of the 2000s and, as of 2007, was generating 20 per cent of world's GDP.

This remarkable advancement of economic integration, specifically in the aftermath of the Cold War and the 1997 Asian financial crisis, spurred a cascading body of scholarship investigating the patterns and mechanisms of regional integration in the Asia-Pacific region. Path breaking works such as Peter Katzenstein and Takashi Shiraishi's 1997 edited volume *Network Power: Japan in Asia* or T.J. Pempel's highly innovative *Remapping East Asia: The Construction of a Region*, published in 2005, helped reveal the particular dynamics of East Asian regionalism. Thus, while the region has witnessed a cascading proliferation of formal institutions in the realms of trade, finance, and monetary governance, particularly after 1997 (*e.g.* the ASEAN Free Trade Area (AFTA) or the Chiang Mai Initiative (CMI)), regional integration in East Asia has primarily evolved as a bottom-up, informal process, mainly driven by market and societal actors. Thus, in comparison to European institution-led processes of regional integration, East Asia is the product of market-led trade, foreign direct investments, and the fragmentation of production (particularly in manufacturing), all of which are marked by the absence of "hard politics" in the form of legally binding economic and political treaties and unfolding despite unresolved political tensions between the region's major powers. While economic integration in East Asia has reached a remarkable level, the common thread presented in this volume postulates that the trajectory of economic integration in the Asia-Pacific will depend on the political economy of liberalization, including the further removal of trade barriers and the integration of the Asia-Pacific into the global economy.

While the current level of economic integration in Asia-Pacific resulted in economic liberalization during the “golden era” of growth, initiated by the Bretton Woods institutions of growth, Peter Petri (chapter 2) points out that this era is over. In fact, the global financial crisis of 2008 has highlighted the increased fragility of integrated market economies and the limits of global governance institutions. Thus, Petri envisions that the G20 will develop as a mechanism to manage the growing externalities of globalization and provide a framework that allows for enhanced and effective coordination between regional and global institutions. Echoing Petri’s skepticism regarding the limits of global and regional institutions in furthering economic integration, Razeen Sally argues that the current proliferation of regional Free Trade Agreements (FTAs) will not translate into intensified economic regionalism (as of 2009, 111 FTAs have been signed in the region, while another 45 agreements are under negotiation). While these unilateral or bilateral agreements are mainly signed for political reasons, Sally argues that despite existing efforts to integrate domestic and global economies, for economic integration to become real, Asian governments need to further step up their efforts at implementing domestic reforms that more authentically promote the liberalization of domestic markets. In fact, as Shiro Armstrong and Peter Drysdale (chapter 3) demonstrate, East Asia’s performance in trade and foreign direct investments is among the global leaders. Thus, closing the political distances between regional states (and thereby moving closer to the actual potentials of trade and investment in the Asia-Pacific) requires political effort but promises economic payoffs. In fact, Armstrong and Drysdale point at the potential effect regional institutions such as the Asia Pacific Economic Cooperation (APEC) forum can have. The “APEC effect”, they argue, illustrates that being a member of a regional institution raises the potential for higher trade and investment diversion. Yet, as Ralph Paprzycki and Keiko Ito point out in chapter five of this volume, the emerging pattern of economic integration is heavily imbalanced and marked by a high concentration of trade and investment in electrical machinery and in intermediate goods, which has resulted from East Asia’s fragmentation of production.

While this pattern of economic integration is the result of corporate business strategies promoting the construction of production networks woven mainly by Japanese, South Korean, and Taiwanese multinational enterprises (MNEs) and policy environments, allowing for industry sector-specific hikes in investment, the emerging form of economic regionalism is supply-side integration. This has left the East Asia region highly vulnerable to external markets such as those of North America. Thus, in order to move towards sustainable dynamics of economic integration, regional markets must promote domestic, demand-led growth and trade in finished goods.

At the same time, critical political relations such as those between Japan and China, as examined by Armstrong and Drysdale, or between China and Taiwan, as discussed by Xinpeng Xu and Yu Sheng, illustrate how trade and investment unfold against the backdrop of political tensions. As such, intensified Japan-China trade relations evolved based on both nations’ commitment to the WTO, which as a result limited the bilateral tensions between Tokyo and Beijing. Meanwhile, while Taiwanese exports to Mainland China have increased dramatically, imports from China to Taiwan remain comparatively low given Taipei’s discriminatory trade policies towards Beijing. Applying a gravity model, Xu and Sheng calculate the potential for trade growth between China and Taiwan (if trade barriers were to be removed), further highlighting the imperative of taking politics into account in economic integration. Indeed, the 2010 signing of the Economic Cooperation Framework Agreement (ECFA) indicates steps towards enhanced cross-strait trade relations between China and Taiwan.

In addition to the bilateral dimension of trade and investment, the volume includes

detailed analyses of multilateral efforts at economic integration. Helen Nesadurai, for example, examines ASEAN's moves towards enhanced economic regionalism, expressed in its ASEAN Economic Community (AEC), launched in 2003. At the same time, the analysis of the AEC blueprint reveals several remaining gaps between regional and domestic commitments, with domestic commitments often undermining regional efforts. Nevertheless, both the AEC and APEC can help to standardize rules and dispute settlements in trade and investment, thus helping to solve the current imbalanced pattern observed in economic integration in the Asia-Pacific region. That being said, the institutional design of regionalism in the Asia-Pacific often yields political negotiation rather than legal procedures, thus allowing domestic politics to constrain economic integration.

Haryo Aswicahyono's analysis in the final chapter of this volume illustrates how APEC's structural reform agenda could affect domestic reform processes. Given its diverse nature, he says, the voluntary and non-binding form of APEC should be considered a comparative advantage, while its use of enforcement and external authority is more likely to mobilize opposition. In order to facilitate domestic reform, Aswicahyono asserts that APEC could assist in promoting transparent reporting or capacity building in policy development and could further assist in the implementation of a proposed reform of the general review process that offers technological solutions and manages the vast vested interests present within APEC.

In sum, given the authors' backgrounds in the study of economics, the empirical data put forward in the individual essays strengthens the picture of a *de facto* economically integrated Asia-Pacific region. Meanwhile, the current thread in this volume highlights the limits of economic integration, with further progress requiring coordinated efforts of trade liberalization at the regional level. As such, the volume argues essentially for political action as the prerequisite for an enhanced *de jure* regionalism. While economic integration has unfolded as an effect of trade, investment, and production fragmentation despite ongoing political tensions between the likes of Japan and China or China and Taiwan, regional and global institutions such as APEC and WTO embody the potential for managing economic cooperation, as do new frameworks such as the G20, linking regional and global governance schemes. As such, the volume follows its own political agenda, strongly advocating the advance of liberalization and deregulation. While this neoliberal agenda functions as the ideational framework holding the chapters together, the volume lacks a clear analytical framework applied across all chapters illustrating the impact of politics and economic integration. The static analysis found in this volume does not take into account the competing domestic ideas that have produced the particular policy environments in various nations that enable or constrain trade and investment in those locations and, thus, directly influence sector-specific dynamics of economic integration.

Grasping the current dynamics of economic regional integration requires an analysis of state-business interactions at the domestic and transnational levels that affect foreign economic policies. Thus, while the volume claims to reveal the interaction between politics and economics, the role of politics has been reduced to the normative call for enhanced governmental action, thus ignoring the political-economic coalitional dynamics that have enabled trade and investment flows to be effective. Additionally, while the volume has made reference to shrinking income differentials, the declining importance of production fragmentation, and the increased need for labor division and specialization, the impact of social trends such as demographic change and increased mobility on integration dynamics remain largely unexamined, though such trends represent one of the major drivers behind East Asia's socioeconomic transition. As such, a clear distinction in the use of concepts separating regionalism (as top-down policy initiatives) and

regionalization (as the actual market-led dynamics investigated here) would add analytical precision. Finally, as different patterns and tempos of integration in East Asia and the Asia-Pacific have produced different, competing and overlapping regional maps, the absence of coherent definitions of the analytical focus regarding geographic boundaries risks producing imprecise pictures of the actual dynamics. That being said, the volume is a valuable addition to the overall body of scholarship on the political economy of regionalism in East Asia.

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