

# Regional cooperation in Northeast Asia: searching for the mode of governance

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## Abstract

Since the late 1990s, China, Japan, and South Korea – the core states in Northeast Asia – have gradually engaged in various initiatives and institutions for regional cooperation. Such initiatives extend from summitry to functional cooperation in finance, environmental protection, logistics, and other areas. Furthermore, the three countries have shown their willingness to vitalize cross-border economic activities by concluding commercial arrangements. Given these evolutions, this article seeks to address the following questions: what features are found in trilateral cooperative initiatives and how these features are evaluated in terms of ‘regional governance’? The paper advances two propositions. First, regional cooperation in Northeast Asia can be characterized as weak neoliberal orientation and intensive business involvements in cooperative projects in state-directed policy networks. Second, regional governance in Northeast Asia has gradually intensified the nature of regulatory governance in which the governments of the three countries

sought to harmonize standards and regulatory systems through trilateral cooperation.

## 1 Introduction

Northeast Asia has been regarded as a 'weak' region where 'history and memory', territorial disputes, and resultant political tensions have impeded the smooth development of trustworthy relationships among the states. However, notable evolutions in global and regional environments have had significant impacts on the long-embedded constellation of international relations in the region. Globalization has stimulated economic and social activities beyond national borders, assisting in the formation of transnational networks at the society level. Political consolidation under the ASEAN Plus Three (ASEAN + 3) framework has provided policy-makers in Northeast Asia with more occasions for communications and talks as well as a necessity to develop their coordinated policy stance on East Asian affairs.

Since the late 1990s, China, Japan, and South Korea – the core states in Northeast Asia – have gradually engaged in various initiatives and institutions for regional cooperation. Such initiatives extend from summitry to functional cooperation in finance, environmental protection, information technology (IT), logistics, and other areas. Furthermore, the three countries have shown their willingness to vitalize cross-border economic activities by concluding formal commercial arrangements. Given these evolutions, this article seeks to address three questions. What kinds of initiatives and institutions have China, Japan, and South Korea advanced for promoting regional cooperation? What features are incorporated into these cooperative initiatives? How are these initiatives and features in them evaluated in terms of 'regional governance'?

In seeking answers to these questions, this article advances two core arguments. First, regional cooperation in Northeast Asia can be characterized as weak neoliberal orientation and intensive business involvements in cooperative projects in state-directed policy networks. Second, regional governance in Northeast Asia has gradually intensified the nature of regulatory regionalism in which the governments of the three countries sought to create common standards and harmonious regulatory systems through trilateral cooperation.

This article is organized as follows. The following section identifies three elements of regional governance that are applied to an analysis of trilateral cooperation in Northeast Asia. Section 3 reviews the overall progress of trilateral cooperation. The following three sections examine major characteristics in tripartite cooperation in terms of neoliberal ideals, policy networks, and regulatory mechanisms.

## 2 The major elements of regional governance and Northeast Asia

The main objective of this article is to articulate the major features of regional cooperation in Northeast Asia. To realize this objective, it locates regional cooperation in the framework of regional governance.<sup>1</sup> While ‘regional governance is a relatively new addition to the discourse’ (Thomas, 2009a, p. 5), its substance has been developed mainly through the distinctive trajectory of regional integration in Europe, and several scholars have used regional governance as a conceptual tool to analyze regionalism in East Asia (Jayasuriya, 2004, 2008, 2009; Thomas, 2009b). The past research presents three key elements of regional governance, which are applied to an analysis of this study. Such elements are articulated in terms of tenets to be pursued, actors involved, and mechanisms in the process.

First, regional governance incorporates neoliberal principles as its basic tenets. The neoliberal principles put emphasis on the free market that creates the most effective allocation of resources through the promotion of free trade and unrestricted capital mobility, and encourage the government to retreat from market intervention through privatization, deregulation, and market opening. Previously, regionalism pursued the closure of regions through protectionism, sealed internal markets, or security communities. In contrast, regional governance aims to advance regional projects with a market-driven, outward-looking orientation (Grugel, 2004, pp. 604–605). Regional governance can be regarded as a response to globalization that has permeated in almost all parts of the globe. Globalization has made it a critical issue for state policy-makers and business executives to integrate the domestic economy and industries

1 Regional governance, the regionalized dimension of governance, is defined as ‘the processes that manage common regional affairs and draw cooperative action through formal institutions and informal mechanisms created at the regional level’ (Yoshimatsu, 2009, p. 68).

into the global marketplace. Moreover, multilateral institutions represented by the World Trade Organization (WTO) have urged the creation of an open and free market with less government intervention in economic activity. Accordingly, state policy-makers have intensified their preferences for neoliberal ideals, undertaking extensive deregulation and liberalization measures as well as the reduction of government intervention in the market.

Neoliberal reforms and economic openness have become critical tenets in regional governance in various regions, including Europe, Latin America, Southeast Asia, and Africa (Söderbaum, 2004). In Europe, neoliberal values have been embedded into the EU policies and institutions (Krahmann, 2003, p. 328; Hermann 2005). Various policies such as activist competition policy and limited state support for private businesses have been implemented. Thus, regional governance seeks to embed the regional economies into global capitalism by making them a part of the on-going globalization process of the world economy.

Second, a distinctive feature of regional governance is sustaining coordination and coherence among a wide variety of actors with different purposes and objectives. What previously were indisputable roles of government have been increasingly seen as common generic, social problems that could be resolved by commitments of both state and non-state actors (Pierre and Peters, 2000, pp. 4–5). Thus, governance goes beyond traditional notions of government or formal-public authority by relaxing the boundaries between the state and society or between public and private sectors. Indeed, states remain vital and active participants in regional public affairs, but they are no longer the only actors who initiate and dominate the actual process of the affairs. Various non-state actors such as non-governmental organizations (NGOs), private economic actors, and sub-national governments need to assume important parts of projects for regional governance. The distinctive role of non-state actors is often conceptualized in the notion of ‘multilevel governance’ in which the national governments have become one among a broad range of actors operating at different levels from local to international, and supranational (Marks *et al.*, 1996; Hooghe and Marks 2001). In Europe, the complex, multilevel decision-making, and implementation process has been formed, and various non-state actors have constituted a critical pillar of multilevel governance (Krahmann, 2003, p. 327).

This article uses policy network as an analytical tool to examine the involvement of non-state actors in regional cooperation.<sup>2</sup> Like multi-level governance, the concept of policy network has been utilized to analyze sub-systemic sector policies at the regional level in Europe (Peterson, 1995a, b; Daugbjerg, 1999). Both multilevel governance and policy network share significant similarities in terms of language and metaphor and a concern with detailed empirical investigation of multiple interactions (Bache, 2008, pp. 31–32). In Northeast Asia, multilevel governance has been underdeveloped, but policy networks are supposed to advance the processes in which public and private actors collaborate in pursuing common interests and addressing shared problems.

In policy networks, the different kinds of political officials and societal groups form mutually dependent cross-boundary relations. The political actors hold formidable resources and their decisions are binding on society and are sustained by the potential use of legitimate power. The societal actors hold expertise and information that are indispensable for formulating public policies in specific issue-areas and a power to legitimate particular actions taken by political actors. The policy networks can assemble such resources, expertise, and power in formal and informal settings to attain certain policy objectives.

The third element is relevant to mechanisms by which the development of regional governance is realized. A key aspect in the mechanisms is the way that the states seek to regulate social, economic, and political risks as a response to growing globalization challenge. Globalization implies that interdependence of the national economies has increased and resultantly the notion of a national economic unit has become problematic. Accordingly, the strength of a more interlinked economy requires the increasing regularization and harmonization of domestic governance and standards such as corporate governance, transparency standards, and broad macro- and micro-economic policies (Jayasuriya, 2004). In response to such requirements, state actors develop selective, issue-specific strategies to enhance regional stability and competitiveness

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2 The policy network approach has become one of the major research methods to analyze public policy formation, and thereby there are quite a few definitions of policy network. One of such definitions refers to it as ‘a cluster of actors, each of which has an interest, or “stake” in a given . . . policy sector and the capacity to help determine policy success or failure’ (Peterson and Bomberg, 1999, p. 8).

in the face of recognized limitations in the institutional structures of global economic and political management (Higgott and Timmermann, 2008, p. 52). In promoting regulatory regionalism, the states seek to shape the institutional context of regulatory institutions by incorporating a rule-based mode of governance in a range of economic and social policy areas, departing from discretionary, direct intervention in the market (Jayasuriya, 2004, p. 6).

Importantly, regulatory governance, which can be conceptualized as a specific form of institutional regionalism, is different from the European model of regional governance. The European model is accompanied by regional institution-building with the objective of sovereignty constraint or sovereignty pooling. However, regulatory regionalism pursues closer integration through common national regulation and policy coordination, which carry fewer negative connotations for sovereignty and regime autonomy (Higgott, 2005, pp. 35–36).

Regional governance and regional projects for attaining it have multifaceted and multidimensional characteristics. The concept of regional governance incorporates ‘universal’ nature, which derives from the term of ‘governance’. At the same time, the modes of regional governance are regionally configured as ‘all regions are socially constructed and hence politically contested’ (Hurrell, 1995, pp. 38–39). As Jayasuriya (2008) argues, regional governance has the character of expansion of a state’s political space. Accordingly, the character of the states in a given region has strong influences on the mode of regional governance. Specific regional character, which is formed by historical evolutions and cultural traditions, also influences the mode of regional governance. Previous literature has identified such regional character in governance formation. For instance, Payne (2000, pp. 211–215) characterizes Asia-Pacific as a mode of ‘pre-governance’, a market-driven form of regionalism which contrasts with the multilevel regional policy networks associated with European governance and the ‘hub and spoke’ characteristic of North American governance. Söderbaum (2004) identifies regional governance in Africa as neo-liberalism, sovereignty boosting, and shadow networks. This article seeks to make some contribution to the set of these studies by articulating major characteristics in regional governance of Northeast Asia. Before conducting this task, the following section overviews the evolution of initiatives and institutions for regional cooperation in Northeast Asia.

### 3 The evolution of cooperative initiatives in Northeast Asia

A critical incident that had significant impacts on the evolution of regionalism in East Asia was the Asian financial crisis in 1997–98. The crisis that occurred in Thailand in July 1997 proliferated to its neighboring countries and South Korea within that year. The contagion by which the crisis spread to countries throughout the region made political leaders in East Asia develop a sense of common identity, particularly the image of a region in adversity besieged by outsiders (Terada, 2003; Yu, 2003). They held the first ASEAN + 3 summit in December 1997, and afterwards have promoted regional cooperation under this framework especially in the financial sector. China, Japan, and South Korea gradually developed formal institutions for closer cooperation by taking advantage of the ASEAN + 3 framework. In November 1999, Chinese Premier Zhu Rongji, Japanese Prime Minister Keizo Obuchi, and Korean President Kim Dae-jung had an informal breakfast meeting on the sidelines of the ASEAN + 3 summit meeting in Manila. This was the first meeting among the heads of the three countries in modern times. The meeting, initiated by Obuchi, began as an informal gathering without substantial discussion agenda. However, the summit has gradually changed into a more formal and substantial style. At the second summit in 2000, the three leaders agreed to hold a meeting on a regular basis.

At the fifth summit in October 2003, the three leaders issued the Joint Declaration on the Promotion of Tripartite Cooperation among China, Japan, and South Korea. This China-initiated declaration called for trilateral cooperation in 14 areas such as trade and investment, IT industries, and environmental protection. The declaration also reaffirmed commitments to peaceful solutions to the North Korean nuclear crisis and the denuclearization of the Korean Peninsula. The leaders also reached an agreement to set up the Three-Party Committee whose tasks are to study, plan, and coordinate cooperative activities, and to submit progress reports to the subsequent summit meetings.<sup>3</sup> At the

3 In June 2004, the first meeting of the Three-Party Committee was held among foreign ministers of China, Japan, and South Korea. The three ministers agreed to formulate the 'Action Strategy on Trilateral Cooperation', which outlines the measures to promote trilateral cooperation in 14 areas identified in the joint declaration.

following year's summit, the three leaders issued an action strategy for cooperation among the three countries. The strategy called for strengthening joint efforts to start government-level talks on a new trilateral investment pact and to assist a joint study on a trilateral free trade agreement (FTA). The strategy also referred to security issues, stating that the three states 'will promote close consultations and cooperation for the peaceful denuclearization of the Korean Peninsula through the six-party talks'.<sup>4</sup>

The trilateral summit did not take place during 2005 when Sino-Japanese relations entered into a grave crisis.<sup>5</sup> The reconstruction of the trilateral dialogue had to wait for the expiration of Junichiro Koizumi's term as the head of government.<sup>6</sup> The seventh trilateral summit was held in January 2007 with the participation of newly elected Prime Minister Shinzo Abe. After the summit, the leaders issued the Joint Press Statement in which they confirmed that trilateral cooperation is an important part of East Asia cooperation and agreed to set up a trilateral consultation mechanism at the level of senior foreign affairs officials to conduct close communication and coordination. While the previous trilateral summits had been held on the sidelines of the ASEAN + 3 summit, the first trilateral summit independent of ASEAN + 3 was held in Japan in December 2008. The leaders exchanged views on the international economy and finance and also broader regional and international affairs, and agreed to hold this type of an independent summit meeting on a regular basis.

In addition to the summit meetings, trilateral institutions have expanded to various policy fields (Table 1). In this respect, environmental cooperation has the longest history. In January 1999, the first Tripartite

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4 'The Action Strategy on Trilateral Cooperation among the People's Republic of China, Japan, and the Republic of Korea', Adopted on 27 November 2004 by the Three-Party Committee. Available at <http://www.mfa.gov.cn/eng/wjzb/zjzg/yzs/dqzzywt/t175827.htm>.

5 In April, a series of anti-Japanese demonstrations broke out in major Chinese cities, including Beijing and Shanghai. The following month, Chinese Vice-premier Wu Yi, who had made a formal visit to Tokyo, suddenly cancelled a meeting with Prime Minister Koizumi. Koizumi's visit to Yasukuni Shrine in October made the holding of a summit in 2005 impossible.

6 The Sino-Japanese political relations deteriorated during 2004–2006 due to Koizumi's repeated visits to the Yasukuni Shrine. Koizumi visited the shrine six times (August 2001, April 2002, January 2003, January 2004, October 2005, and August 2006) during his prime ministership.



**Table 1** Summitry and ministerial meetings among China, Japan, and South Korea

Policy field	Start year	Major features
Summitry	1999	The meeting was not held in 2005 due to political tension. The meeting independent of ASEAN + 3 has been held since 2008.
Environment	1999	Framed as Tripartite Environmental Ministers Meeting (TEMM), and issued a joint communiqué.
Finance	2000	Held just before the ASEAN + 3 Finance Ministers meeting.
Economy and trade	2002	Organized on the sidelines of the ASEAN + 3 meeting. The meeting was not held in 2005.
Information technology (IT)	2002	The formation of director-general meetings in various sub-fields.
Logistics	2006	The publication of a concrete action plan.
Tourism	2006	The issuing of a joint declaration.
Health	2007	The issuing of the joint action plan on pandemic influenza in 2008.
Science and technology (S&T)	2007	The establishment of 'China–Japan–Korea trilateral S&T cooperation' at governmental and institutional levels.
Foreign affairs	2008	The Three-Party Committee was held before 2007.

*Source:* The author compiled from official documents and newspapers.

Environment Ministers Meeting (TEMM) was held in Seoul.<sup>7</sup> The TEMM has functioned as a forum to confirm a common front on global environmental issues and the necessity of joint efforts to protect regional environments, and a joint communiqué has been issued at every annual meeting. In particular, the ministers have worked on specific projects, focusing on raising the consciousness of the environmental community, preventing freshwater and land-based marine pollution, and promoting collaboration in environmental industry development and ecological conservation in Northeast China.

In the transport sector, the Northeast Asia Port Director-General meeting has been organized since 2000. In this annual meeting, China, Japan, and South Korea have searched for close collaboration in marine transportation network and the development of port logistics and industry. The collaboration at the director-general level led to an

<sup>7</sup> For the TEMM, see its homepage, <http://www.temm.org/docs/main.html>.

institutionalized ministerial meeting: the first Ministerial Conference on Maritime Transport and Logistics in Seoul in September 2006. In this meeting, the three ministers issued a joint statement that was accompanied by two annexes of framework and action plan. The action plan spelled out cooperative projects in 12 areas, which have been reviewed at the following ministerial meetings.

The finance ministers of China, Japan, and South Korea had the first trilateral meeting in September 2000. The ministers have exchanged views over the global and Asian economies, and coordinated their policy stance toward regional or global monetary and financial issues. The ministers have coordinated their interests toward the development of regional financial architectures to prevent the occurrence of the Asian financial crisis. In September 2002, the first tripartite IT Ministers meeting was held in Marrakech, Morocco. At the second IT ministers meeting in Cheju, South Korea in September 2003, the ministers identified seven areas for cooperation, and agreed to establish a working group in order to promote substantial cooperation in each seven area.<sup>8</sup>

In a nutshell, regional cooperation in Northeast Asia emerged in the late 1990s, rather recently compared with other regions. In the new millennium, however, China, Japan, and South Korea have rapidly developed trilateral institutions to promote policy talks and cooperative projects. Then, what characteristics are there in the orientation and manner of regional projects in Northeast Asia? This article addresses this question by referring to the major elements of regional governance.

#### 4 Weak neoliberal ideals in regional governance

In the 1990s, specific economic and political conditions urged Japan and South Korea to promote neoliberal reforms in the domestic society. The Japanese economy plunged into a decade-long recession due to the collapse of the bubble economy. The Japanese government sought to revitalize the depressed domestic economy by implementing neoliberal reform programs. It pursued successive deregulation and privatization measures, reducing the scope of intervention in the market and creating a transparent and open relationship with business. In the political

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<sup>8</sup> These seven areas were third- and next-generation mobile communications; next-generation internet (IPv6); digital broadcasting; network and information security; open source software; telecom service policy; and the 2008 Beijing Olympic Games.

domain, a series of scandals in the late 1990s undermined respect for central bureaucrats and raised the demand for greater pluralism in politics. The ruling Liberal Democratic Party (LDP) could not take for granted its political domination any longer after it experienced the loss of power in 1993.

In South Korea, neoliberal reforms were gradually adopted after the early 1990s, and the financial crisis in 1997–98 accelerated this move at a blast. The Korean government accepted financial support from the International Monetary Fund (IMF) with the conditionality of three main policy packages: restrictive macroeconomic policy, structural reforms including corporate restructuring of *chaebols*, and market opening through eliminated trade barriers including import source diversification policy. Through this reform process, the state withdrew from steering of banks and major corporations (Green, 2007, p. 34). In the political domain, the selection of a former labor leader, Kim Dae-jung, at the 1997 presidential election, and the adoption of labor legislations urged a shift from the state-dominance mode to one of state-coordinated social partnership.

Even in China under the socialist market economy, neoliberal reforms have been pushed forward. Originally, Chinese Premier Zhu Rongji sought to take advantage of the WTO accession as leverage ‘to force reluctant domestic interest groups to accept greater economic liberalization’ (McNally, 2007, p. 114). Then, a group of globalized bureaucrats pushed forward neoliberal economic reforms by engaging positively in a process of making the investment region within China more liberalized and attractive to international capital (Breslin, 2002, p. 24). Since China was granted only a five-year adjustment period before it must implement in full the rules of the WTO, the government undertook neoliberal reforms in haste in various fields from trade, investment, services, and intellectual property rights (Nolan, 2002).

China, Japan, and South Korea have implemented neoliberal reforms in the domestic society through reduction in trade barriers and the retreat of government intervention in the market via deregulation and privatization. However, they have adopted more nuanced approaches in their external economic policies. This was shown in talks toward the conclusion of a trilateral investment pact. The pact aimed to remove regulations on foreign investment and to establish the open and liberal investment market in the three countries. However, actual progress

toward concluding the pact was not necessarily steady. At the trilateral summit in October 2003, the three leaders agreed to launch an informal joint study group on the possible modalities of the trilateral investment agreement. One year later, the group comprising representatives from government, academia, and business issued a joint report, which spelled out different ideas about the date for entering formal negotiations. Although Japan and South Korea agreed to consider entering into formal negotiations at an early date, China regarded it still premature to enter into such negotiations given the different level of economic development among the three countries.<sup>9</sup> Eventually, it took more than three years to enter into formal negotiations on the agreement in March 2007. After the start of formal negotiations, progress has been slow. Even after the holding of seven rounds of negotiations for more than two years, the three governments have not reached the conclusion.

Talks on the trilateral FTA are more problematic. The Chinese government took the lead in pushing forward the FTA. At the fourth trilateral summit in 2002, Chinese Premier Zhu Rongji proposed that a feasibility study should be undertaken on the formation of a free trade zone encompassing China, Japan, and South Korea. This proposal aimed at helping increase tripartite cooperation in economy and trade, and having a positive impact on economic cooperation.<sup>10</sup> Japanese Prime Minister Koizumi did not support this proposal, stating that Japan would consider the matter in a medium- and long-term perspective with due respect to the pace at which China would abolish trade barriers under WTO obligations.<sup>11</sup> Eventually, the three governments agreed to participate with private think-tanks in assessing the economic impact of the formation of a free trade zone on the respective countries. The research institutes were forced to continue research for more than five years because the governments have not reached an agreement to enter into formal negotiations.

The extremely cautious stance on the trilateral FTA seems to be peculiar, given the three countries' active commitments to FTAs in the

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9 'Report of the joint study group on the possible trilateral investment arrangements among China, Japan, and Korea', pp. 14–15. Available at [http://www.mofa.go.jp/mofaj/gaiko/investment/jck/pdfs/jck\\_kaigo\\_04e.pdf](http://www.mofa.go.jp/mofaj/gaiko/investment/jck/pdfs/jck_kaigo_04e.pdf).

10 *People's Daily*, 5 November 2002.

11 *Nihon Keizai Shimbun*, 5 November 2002.

new millennium.<sup>12</sup> Indeed, some of their FTAs explicitly aimed to promote structural reforms of internationally weak domestic sectors by removing protective barriers.<sup>13</sup> However, cautious and selective stances were apparent in their FTA policies. Japan's first FTA partner was Singapore whose export expansion was supposed to have little impact on the domestic society. Japan took more than five years from an initial proposal in 2002 to conclude an FTA with ASEAN whose members had strong desires for Japan's market liberalization. South Korea could not reach an agreement with Thailand in its FTA negotiations with ASEAN due to its adherence to protect the rice market. Although China could conclude an FTA with ASEAN rather smoothly, it has been confronted with great difficulty in talks on an FTA with Australia that posed strong demands on market liberalization (Jiang, 2008). All these facts indicate that China, Japan, and South Korea have implemented FTA policy cautiously: to choose a partner who has less impact on the domestic sectors and to exclude sensitive products from the target of liberalization.

Weak neoliberal nature in regional cooperation in Northeast Asia can be regarded as reflecting short and immature regionalism in the region. This point is clear in comparison with Europe where regional states have advanced high level of neoliberal integration through the long history of regionalism (Hermann, 2005). At the same time, it is possible to explain the weak neoliberal orientation from specific political economic characteristics in the region. Jayasuriya (2004) argues that a state's capacity to pursue a certain kind of regional political projects is embedded into the configuration of power and interest in its domestic political economy as well as policy-makers' policy beliefs. The policy-makers in Northeast Asia, in general, do not put strong beliefs in neoliberal ideals. This was typically shown in recent policy reversal in Japan. Prime Ministers who succeeded to neoliberal-minded Junichiro Koizumi highlighted the

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12 Notwithstanding China, Japan, and South Korea were latecomers in the global FTA race, they have assiduously engaged in FTA negotiations with Southeast Asian countries and others. By April 2008, China signed an FTA with ASEAN, Chile, Pakistan, and New Zealand, and South Korea did with ASEAN, Singapore, EFTA (European Free Trade Association), and the United States. Japan signed an FTA with ASEAN, Singapore, Malaysia, Thailand, Indonesia, Brunei, the Philippines, Mexico, and Chile.

13 For instance, the Japanese Ministry of Economy, Trade, and Industry, the initiator of policy change from multilateralism to regionalism, aimed to promote domestic structural reform through FTAs. The ASEAN–China FTA and the adoption of the early harvest program also aimed to promote the structural reform of the domestic agricultural sector.

negative sides of neoliberal domestic reforms under the Koizumi cabinet. The cabinets after Koizumi sought to revise the privatization of postal services, the most important neoliberal reform carried out under the Koizumi cabinet. The ruling parties' consideration to get support from the public also dissuaded policy-makers from adopting unpopular, neoliberal commercial policies. The legitimacy of the Chinese Communist Party (CCP) as China's single ruling party is largely based on the effective management of domestic economic affairs. The party is gambling that building of an economically prosperous society will literally buy its legitimacy in the eye of the Chinese people and that most citizens will care little about the CCP's political monopoly and democracy as long as their material lives continue to improve (Wang, 2005, pp. 32–35). In other words, the Chinese policy-makers need to avoid adopting commercial policy that will lead to the disruption of domestic economy and society. Such a disruption will be likely to provoke social uprisings and political backlashes, undermining the credibility of a slogan that 'China can only develop well under CCP leadership'.

In brief, regional cooperation in Northeast Asia incorporated a weak orientation of neoliberal reform. The governments adopted a neoliberal policy after they carefully examined positive and negative effects of such a policy on the domestic society. The policy-makers' weak beliefs in neoliberal ideals and an emphasis on the protection of the domestic market for partisan politics are major background factors in that neoliberal elements are underrepresented in regional governance in Northeast Asia.

## 5 State-directed policy networks in Northeast Asia

Regional governance can be promoted by various processes, one of which is the coordination process through unstructured, informal channels and arrangements involving non-state actors. Non-governmental organizations (NGOs) have been regarded as crucial actors with their functions of improving information-sharing and dialogues at the grass-roots level as well as of becoming the base of civil society. In the evolution of regional cooperation in Northeast Asia, NGOs have played a crucial role especially in the environmental field by developing transboundary networks for articulating environment problems. For instance, NGOs in the three countries have organized joint activities regarding the problem of transboundary movement of waste electrical and electronic

equipment (e-waste) in Asia, especially in China. In November 2005, two Japanese NGOs – the East Asia Environmental Information Express Messenger and the Study Group for a Sustainable Society – and the Korea Zero Waste Movement Networks, in support of the Greenpeace China, conducted a survey on e-waste recycling practices in Taizhou city in Zhejiang Province, China (Hirose 2008). Moreover, these NGOs organized the Asian Citizens' 3R Forum on 29 October 2006, and issued the 'NGO Appeal to the Asia 3R Conference in Tokyo'. This appeal aimed to reflect demands from NGOs on discussions at the Asia 3R Conference, a Japanese government-initiated international conference that would begin the following day.<sup>14</sup>

Despite the growing presence of NGOs in environmental cooperation, their influences on policy-making are still limited. This is particularly the case in China where the party-state authority tried to avoid the formation of autonomous social groups and movements. The fact that NGOs have played a limited role in policy shaping in Northeast Asia does not mean that the influence of non-state actors is meagre. In the region, state actors have set up close linkages with societal groups through 'state-directed' policy networks in which state actors take the lead in deciding on the scope and participation of societal actors.

In such state-directed policy networks, business groups have been given special importance. The business groups can play several significant roles in the promotion of regional cooperation. In general, business actors are regarded as the most influential non-state actors on public policy because they hold the potential to deprive the state of a key source of investment (Bull, 2008, p. 199). Moreover, the business actors can provide valuable information and ideas with state actors in formulating economic policy. Since they conduct tangible activities of trade, investment, and financial transactions, they have the exact information about desirable regulatory frameworks and international cooperation measures. As corporate activities are globalized with the complex forms of commercial transactions, information from business groups has become more indispensable for formulating effective external economic policies that would facilitate corporate activities and thereby augment the national economic welfare.

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14 At this conference, senior officials from 19 Asian countries and 8 international organizations discussed concrete issues regarding 3R (reduction, reuse, and recycling) with raw garbage, e-waste, and medical waste.

The states in Northeast Asia have retained strong developmental orientation. The business actors are the players who conduct the games for increasing the state's industrial capability and economic welfare. Accordingly, they have enjoyed privileged institutional access to the policy-making process while other civil society groups were marginalized. By taking advantage of the privileged access, the business actors can lobby policy-makers directly of adopting a new policy that would be conducive to their smooth operations. Given that their business operations have increasingly been regionalized, the formation of coordinated regulatory policies and the promotion of cooperative projects at the regional level are likely to be the targets of such lobbying activities. When business groups from different countries organize transnational networks, such a lobbying will become powerful forces.

In Northeast Asia, the formation of policy networks involving business actors was typically shown in IT cooperation. When the first trilateral IT Ministers' Meeting was held in September 2002, the ministers agreed to hold an information and communication technology (ICT) business meeting of industries and research institutes. During the second tripartite meeting in September 2003, the first tripartite ICT Business Forum took place with the participation of executives from major IT firms in the three countries. During the forum, the executives made presentations and actively exchanged information and opinions concerning joint research and development (R&D) projects, standardization, and joint industrialization. Furthermore, close collaboration at the public level stimulated similar moves at the private level. In November 2002, the three internet-related industrial associations – the Internet Society of China, the Internet Association of Japan, and the Internet Association of Korea – signed a memorandum of understanding on the alliance among the internet associations of China–Japan–Korea. The executives of the three associations had deliberated on the possibility of an alliance after January 2002, and reached an agreement in accordance with moves toward the holding of the first trilateral IT Ministers' meeting. The three associations have, since 2002, sponsored the Asia Broadband summit whose objectives were to contribute to the development of broadband services and the internet industry in the region.

Among various areas for IT cooperation, the development of open source software (OSS) was unique in terms of private actors' representation. When the twentieth general assembly of the Asian-Oceanian



Computing Industry Organisation (ASOCIO) was held in Thailand in November 2002, the Chinese Software Industry Association (CSIA), the Japan Information Technology Services Industry Association (JISA), and the Federation of Korean Information Industries (FKII) confirmed trilateral partnership in promoting OSS development.<sup>15</sup> The three industrial associations decided to encourage their governments to exhibit positive commitments to the development of OSS, and Yujiro Sato, chairman of JISA, and Lee Yong-teh, honorary chairman of the FKII, explained this partnership to the Information Service Industry Section of the Japanese Ministry of Economy, Industry and Trade.<sup>16</sup> In November 2003, CSIA, JISA, and FKII organized the China–Japan–Korea OSS Business Conference in Osaka, which became the springboard for trilateral cooperation.

At the Osaka conference, CSIA, JISA, and FKII agreed to take the lead in establishing an OSS promotion body in each country and create the China–Japan–Korea OSS Promoting Partnership where the activities of the three bodies would be united and coordinated. Afterwards, a domestic OSS promotion body was established in each country: the China OSS Promotion Union in July 2004, the Japan OSS Promotion Forum in February 2004, and the Korea OSS Promotion Forum in December 2003. These three private bodies have served as the formal sponsors of the Northeast Asia OSS Promotion Forum. The forum's meeting has been held annually in the three countries in rotation, and concrete cooperative projects have been implemented through working groups attended by representatives from the private sector.<sup>17</sup>

The significant role of business actors was seen in cooperation in the energy-saving field. In May 2006, the Japanese and Chinese governments organized the first Japan–China Energy Conservation Forum in Tokyo. Although this event was named just a 'forum', it was an important

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15 The ASOCIO was established in 1984 in Tokyo with an eye to promoting close collaboration among the industrial associations in the computing industry in the Asian and Oceanian region.

16 *Nikkei Computer*, 27 January 2003, pp. 20–21.

17 At the second forum in Sapporo, Japan, the three countries agreed to set up the three joint working groups: Technology Development and Assessment Working Group; Working Group on Human Resource Development; and Standardization and Certification Study Working Group. Afterwards, the participants have confirmed the progress and outcomes of the groups' activities at the forum's meetings.

opportunity for both governments illustrated by the attendance of high-ranking government officials – the Ministers of Economy, Trade and Industry and of the Environment from Japan, and the Minister of Commerce and vice-chief of the National Development and Reform Commission from China. The three-day forum, collecting some 500 participants from Japan and 300 from China, provided high-level speeches and theme-specific discussions. The forum became the annual event and the following forums were held in Beijing in September 2007 and in Tokyo in November 2008.

Importantly, the initiative of Sino-Japanese energy cooperation has been sustained by commitments by the private sector. Before the holding of the energy conservation forum, several industrial associations implemented projects to promote energy conservation in China. In July 2005, for instance, the Japan Iron and Steel Federation (JISF), in collaboration with the China Iron and Steel Association (CISA), organized the Japan–China Advanced Technology Exchange Meeting for Environmental Protection and Energy Saving in Beijing.<sup>18</sup> At the meeting, Akio Mimura, Chairman of JISF as well as President of Nippon Steel, and Xie Qihua, Chairman of CISA as well as of the BaoSteel Group, exchanged the memorandum of agreement to continue exchanges of information and experts regarding environmental protection and energy conservation. On the basis of this agreement, the first meeting of technology experts was held in Japan in November 2006.

Japanese business groups provided support for energy saving in China after the holding of the energy conservation forum. The Japan–China Economic Association (JCEA) set up direct linkages with Chinese local governments, targeting the Shandong Province, Tianjin, and Chongqing.<sup>19</sup> The association has conducted activities including the acceptance of economics mission and a survey on the promotion of energy saving. Since local governments were the actors who really implemented energy-saving

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18 The meeting, attended by some 200 business managers, government officials, and researchers, aimed at making expertise available on environmental and energy-saving measures that the Japanese steel industry has developed since the 1970s.

19 For instance, the association supported the acceptance of economic missions from the Shandong Province in July 2007 and March 2008. These missions aimed at setting up business projects with Japanese counterparts in the energy-saving field. The JCEA also conducted a survey on the promotion of energy saving in China targeting the Shandong Province in 2007. Interview, Japan–China Economic Association, Beijing Office, March 2009, Beijing.

projects, direct links to them were important for producing pragmatic outcomes from cooperation. Furthermore, in December 2006, Japanese business actors set up the Japan China Business Alliance for Energy Saving and Environmental Protection (JC-BASE) in order to tackle energy-saving cooperation flexibly and speedily. Some 250 leading corporations including Toyota Motor Corp., Toshiba Corp., and Tokyo Electric Power Co. joined the JC-BASE as the founding members. This cross-industry association aimed to strengthen energy-related cooperation by conducting concrete activities and research and showing possible solutions to disturbance and problems in promoting cooperation.

With respect to (regional) governance, several scholars present a ‘triangular framework’ of states, private firms and NGOs in civil societies (Söderbaum and Shaw 2003; Shaw 2004; Abbott and Snidal 2009). In Northeast Asia, private companies began to form cross-border networks with their counterparts and state actors in other countries. Such networks surely encouraged state actors to take new initiatives in regional cooperation and sustained the smooth implementation of cooperative projects. In Northeast Asia, there exists the vertical structure in which the states set up collaborative relationships with specific social groups. In this structure, state actors have selected business groups as a partner for promoting regional cooperation, and civil society and NGOs played a limited role in delivering and representing citizens’ voice and interests in policy-making. The weak presence of civil society *vis-à-vis* state and private firms is a critical impediment to further advance of regional governance.

In summary, governance formation in specific policy areas has been advanced with the meaningful involvement of business actors in policy networks. Typically shown in IT collaboration and energy conservation, business groups encouraged state actors to take a new initiative in cross-border cooperation, and state actors have authorized such an initiative. The state actors and business groups have conducted various projects to promote cooperation for attaining shared objectives.

## 6 Emerging regulatory governance in Northeast Asia

China, Japan, and South Korea have taken into account the impact of globalization on the development of the national economy and industries from the developmental perspective. As a strategy to respond positively

to challenges from globalization, the three Northeast Asian states have chosen close linkages with geographically proximate neighboring countries that are forming interdependent economic relationships through the growing flow of goods, services, capital, and technology. They have pursued the formation of congruent or coordinated measures and systems designed to create synergetic effects in managerial and technological developments as well as the larger market for goods and services for increased competitiveness of firms and industries in the global marketplace.

This orientation was typically shown in cooperation in the logistics sector. China, Japan, and South Korea have successfully developed hard infrastructure such as ports and airports for becoming international logistics bases.<sup>20</sup> However, the three countries have serious problems in logistics efficiency with high distribution costs.<sup>21</sup> The lack of harmonious regulations and systems for logistics and standardized logistics facilities was the major underpinning factor of inefficient procedures for distribution and trade. The governments of China, Japan, and South Korea, which had strong developmental incentives to improve industrial competitiveness, sought to review and discuss problems that impeded private companies' overseas operations, and assist in their efficient and low-cost overseas business activities.

In September 2006, China, Japan, and South Korea organized the first China–Japan–Korea Ministerial Conference on Maritime Transport and Logistics in Seoul. Since then, the three governments have implemented various activities for cooperation: the establishment of a working group on trailer chassis; the study of cargo containers and possibility for standardization; the establishment of a logistics information network system and the exchange of information and statistics on air cargo transport; the holding of an experts' meeting on green logistics; and the establishment of collaboration in customs services. Important in

20 For instance, China, Japan, and South Korea were among the world's top five nations in terms of container treatment in 2005. In the ranking of airport cargo treated, four out of six top airports in the world were located in the three countries in 2006 (METI, 2007, pp. 220–222).

21 The percentage of distribution costs shared in management costs of overseas affiliated companies in 2004 was 10.0% for China, and 8.1% for South Korea, Taiwan, and Singapore. These figures are high compared with North America (5.1%) and EU (5.5%) (METI, 2007, pp. 226–227).

these activities was that the governments formulated concrete progress/future work sheets, which analyzed progress and problems in 12 areas for cooperation, which were confirmed at the first trilateral conference.

Trilateral consultation on the improvement of the business environment provides another example for the state's commitments to the formation of harmonious regulatory systems. As already explained, China, Japan, and South Korea have been confronted with difficulty in concluding a trilateral investment pact. However, they recognized the need to foster harmonious and transparent environments for business activities. This recognition produced an agreement to formulate an action agenda, including the sensitive issues of intellectual property rights (IPRs). At the sixth trilateral summit in November 2004, the three leaders agreed to 'establish a mechanism among the governments of the three countries . . . to produce additional measures for the improvement of the business environment with inputs from the business sector'.<sup>22</sup> The mechanism was launched in May 2005, and government officials arduously discussed measures to raise transparency and accountability in legal and regulatory systems. After the 11 rounds of meeting until November 2008, the 'Action Agenda for Improvement of the Business Environment' was announced the following month.<sup>23</sup>

The action agenda spelled out concrete measures to improve the business environment such as transparency in laws and regulations, the protection of IPRs, a dispute consultation mechanism, and the coherence of national and local administrations. Moreover, it provided designated contact points and/or website channels to answer questions concerning the agenda and receive public comments. The action agenda was the beginning of continuous efforts to improve the business environment. The three governments continued the meetings for the improvement of the business environment after the publication of the action agenda. Active discussions in this policy field implied that increased cross-border business exchanges raised the necessity to harmonize domestic governance systems and standard regulations. In particular, the enhancement of laws and regulations as well as accountability by administrative bodies

22 'The Action Strategy on Trilateral Cooperation among the People's Republic of China, Japan, and the Republic of Korea', Adopted on 27 November 2004 by the Three-Party Committee. Available at <http://www.mfa.gov.cn/eng/wjb/zzjg/yzs/dqzzywt/t175827.htm>.

23 'Action Agenda for Improvement of the Business Environment'. Available at <http://www.mofa.go.jp/region/asia-paci/agenda0812.pdf>

was important for stimulating investment and other business activities among the three countries.

The above cooperative projects adopted by China, Japan, and South Korea can be regarded as 'developmental regionalism' in objective. The developmental regionalism implies a state's policy orientation to promote national development agendas by adopting an approach to regionalism through which it seeks to nurture domestic firms and industries with internationally competitive edge (Nesadurai, 2003, p. 238). 'Developmental regionalism is clearly in the economic realist tradition, encompassing as it does the idea of state activism in both the international system (inter-state collaboration) and at the domestic level (privileged treatment of domestic firms) to manipulate or direct economic activity to serve the perceived interests of the state' (Nesadurai, 2002, p. 23). However, developmental regionalism does not resist globalization as a whole. Rather, it seeks to embed the domestic economy and industry into the trends of globalization, searching for a solid position in the global marketplace. In so doing, the governments make purposeful intervention in region-level projects that will enhance scale economic capacity, human resource capacity, and positive synergistic effects on technological innovation.

The three Northeast Asian states have a long tradition of a 'strong state' and a developmental state. Such a tradition has created political and economic institutions to guarantee state intervention. This implies that in Northeast Asia 'the state still matters in economic development—*how* it matters has changed considerably' (Wong, 2004, p. 357). Pressures and opportunities from globalization have provided state bureaucrats in Northeast Asia with new spaces and rationales to make purposeful intervention in region-level projects that would enhance the competitiveness of their national industries.

Certainly, the governments' commitments to improvements in logistics efficiency and business environments were developmental in objective, but they incorporated 'regulatory' nature as mechanism. The three governments aimed at improving industrial competitiveness through the creation of harmonious regulations, transparent systems, and common standards, which would facilitate business operations among the three countries.

Several of cooperative projects in the environmental field indicate more interesting moves toward harmonious regulations and common standards.

China, Japan, and South Korea organized the first Tripartite Policy Dialogue on Chemicals Management in Tokyo in November 2007. This policy dialogue comprised of an international workshop where representatives from government, industry, and academia attended, as well as a governmental meeting. At the governmental meeting, the three governments agreed on several principles and the form of future cooperation in chemical management. In particular, the governments aimed at taking joint actions to facilitate the harmonious implementation of the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) and promote cooperation in the Pollutant Release and Transfer Register (PRTR). The three governments also organized the first tripartite workshop on e-waste management policy in Beijing in June 2007. They committed to continue their efforts against the illegal transboundary movement of e-waste through continuous dialogues among the three countries as well as concerted efforts in Asia on the Environmentally Sound Management of E-waste under the Basel Convention.

Cooperation in the environmental field was based on the recognition that the proper management of chemical products and e-waste was impossible without trilateral collaboration on the harmonization of relevant policies and domestic standards given the growing amount of cross-boundary transactions and transmissions. Moreover, cooperation in these policy areas aimed at making domestic regulations and policies compatible with international norms such as the GHS and Basel Convention. In this sense, regional cooperation connected national-level governance to global understandings of regulation, and regional projects provided a transmission belt for global disciplines to the national level.

The new trends in trilateral cooperation in the fields of logistics, business environment, and environmental protection imply that China, Japan, and South Korea have gradually pursued regulatory governance in which their governments sought to harmonize domestic rules, regulations, and standards with an increasing recognition of limitation in national-level governance. The regulatory governance was an effective method for the three governments to complement national-level governance.

## 7 Conclusions

Given growing interests in regional governance in the study of international relations, this article has examined the evolution of regional

cooperation in Northeast Asia by using this concept. It confirmed that China, Japan, and South Korea have gradually intensified regional political and economic cooperation and expanded the scope of cooperative projects. The heads of government have deepened policy talks at the summit meetings, leading to cooperation in various functional areas including logistics, IT, environment, energy, and business environment.

This article identified three distinctive features in the evolution of trilateral cooperation in terms of regional governance. The first is reluctance to promote neoliberal reforms through regional cooperation. As intensive moves toward FTAs and investment agreements on the globe, the governments of China, Japan, and South Korea began talks on trilateral commercial arrangements. However, progress on the talks has been slow, spending several years for pre-negotiation studies. Such reluctance derived largely from the governments' concern about negative impacts of market liberalization on the domestic society. While ruling parties were unwilling to lose public support due to unpopular policy changes, policy-makers did not have strong beliefs in neoliberal ideals.

The second is the meaningful presence and roles of policy networks involving specific non-state actors. Transboundary NGO networks emerged in specific fields of environmental protection. However, the influence of such NGO networks on policy-making process is still limited in Northeast Asia. This is largely because state-directed policy networks are formed in the region. In promoting cooperation in IT and energy conservation, policy networks were formed between business actors and the subunits of government agencies. The business actors have formed close linkages with their counterparts and government agencies in other countries, and prompted state actors to initiate cooperative actions. The specific policy objectives have been pursued by collaborative undertakings between the business groups and state actors.

The third is the emergence of regulatory governance. Indeed, some of cooperative initiatives had a developmental orientation with which the governments sought to maintain and improve competitive edge of major industrial sectors in response to growing pressures from globalization. Importantly, the governments tried to achieve this objective by harmonizing domestic regulatory policies and systems, and enhancing accountability by administrative bodies. The environmental agencies raised their interests in the management of e-waste and chemical products as measures to protect the environment in Northeast Asia. The three



governments adopted a rule-based mode of management, seeking to make domestic regulatory frameworks compatible with international norms.

The location of this study in the broader perspective on regional governance reveals specific implications of features in Northeast Asia. Since the Northeast Asian states have adhered to the maintenance of sovereignty, they have held no intention of developing formal institutions with supranational power. Instead, they have promoted regional projects through state-directed policy networks in which business groups were given a special representation. While the governments were cautious about promoting neoliberal policy reforms under the trilateral framework, they found interests in promoting harmonious national regulations, which were not accompanied by sovereignty constraint. The utilization of policy networks involving business actors and intensive moves toward regulatory governance are pragmatic responses to globalization in Northeast Asia that have specific historical and institutional characteristics. At the same time, persistent domestic politics-oriented reluctance to promote neoliberal reforms and the marginalized presence of NGOs and civil society are likely to lay a serious burden on governance formation in the long run.

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