

GLOBAL COMPETITION

Forming of new relationships in the Asia Pacific

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Abstract This paper develops a conceptual model for the understanding of economic global realignment as a process towards globalization. The paper further develops a set of objectives that addresses the nature and process of the realignment, and to understand the relationship between the regional group formations and the global system of which it is a part. The insights derived from this purpose must be viewed within a framework that allows an objective appraisal of the globalization process. This new world order is being achieved by way of different variations in the regionalism concept. Developments in the Asia Pacific are addressed as important outcomes of the globalization process.

Keywords Globalization, Asia Pacific, Asian identity, global realignment, conceptual framework, regionalism.

INTRODUCTION

The philosophical arguments for a freer world economy have been in support of multilateral trade agreements, such as the General Agreement on Tariff and Trade (GATT) and against any form of regional group formation. Economists, such as Bhagwati (1993), have argued vehemently, the virtues of multilateral trade agreements as contributing to trade creation and regionalism as contributing to trade diversion. This indeed may be true in the presence of an effective multilateral trading system. Even Bhagwati accepts that, given the imperfect world, regionalism may become the political answer to arriving at (non-discriminatory) free trade for all. To achieve a positive end to a political solution for a freer world economy, he suggests that 'it is necessary to give to it a programmatic, world trade system unifying format and agenda' (p. 45).

Bhagwati in fact argues that 'vision thing' is important if regionalism is not to take a fragmented piecemeal approach as is proposed by the US. He puts forward a possibility for the 'Grand Finale of multilateral free trade for all in Geneva' (p. 45). In the first instance he suggests the formation of a

free-trade area in Asia (from Japan to the Indian subcontinent) and NAFTA taking in all of Latin America within, say, a period of ten years. These two regions would then meet and form a larger free-trade area. At the Grand Finale, the European Union will negotiate with the Asia-NAFTA free-trade area to form a free trade for all.

In this paper, we accept the inevitable; that is, regionalism, though not a preferred economic option, has become the favoured political option for the path to freer world trade. Within this constraint, economists and people of international trade and business need to view, develop and suggest processes that will take nations from operating singly to a truly multilateral system.

It is from this premise that the discussion for globalism proceeds. The paper does not suggest that the path to globalism taken, via regionalism, is the best. Given the nature of current world trade, the paper discusses the processes that are unfolding and, hopefully, paving the way for a freer world trade environment.

THE CONCEPTUAL MODEL FOR FREE TRADE

The conceptual model in Figure 1 formed the schematic base for the philosophical thrust of this paper. It provided the overview of the globalization process, where the economic relationship of nations progresses from a relationship based on national interest as suggested in Stage 1 to a more global relationship as suggested in Stage 4. The relationship in Stage 1 reflects a relationship based on nationalism and independence while at the extreme end of the developmental stage, the relationship is towards mutual growth, cooperation and interdependence of nations within a global free-trade framework as supported by WTO/GATT. In this progress towards global free trade, regional arrangements such as those of the EU, NAFTA, AFTA and APEC are receiving political support. In this expanded environment, small nations in the regional groups, such as Brunei Darussalam in APEC and ASEAN and Luxembourg in the EU, poorer nations such as Mexico in NAFTA and Vietnam in ASEAN, are 'seen' to be equal participants within the respective groups.

In the intermediary Stage 2 and Stage 3, there is a conscious shift among economies to form regional trade groupings. The European Union is seen as the initiator of this trend towards trade groupings. The EU is now steadily progressing to a monetary and political union in what will be a single Europe. Similarly, the formation of NAFTA in the Americas has prompted the development of other regional trade groups, such as the AFTA in Southeast Asia and the Mercosur in South America. As a result, trade between regional trade blocs is also growing and this further encourages the development of new relationships among regional groups. This is implied in Stage 3. Transatlantic trade negotiations between NAFTA and the EU

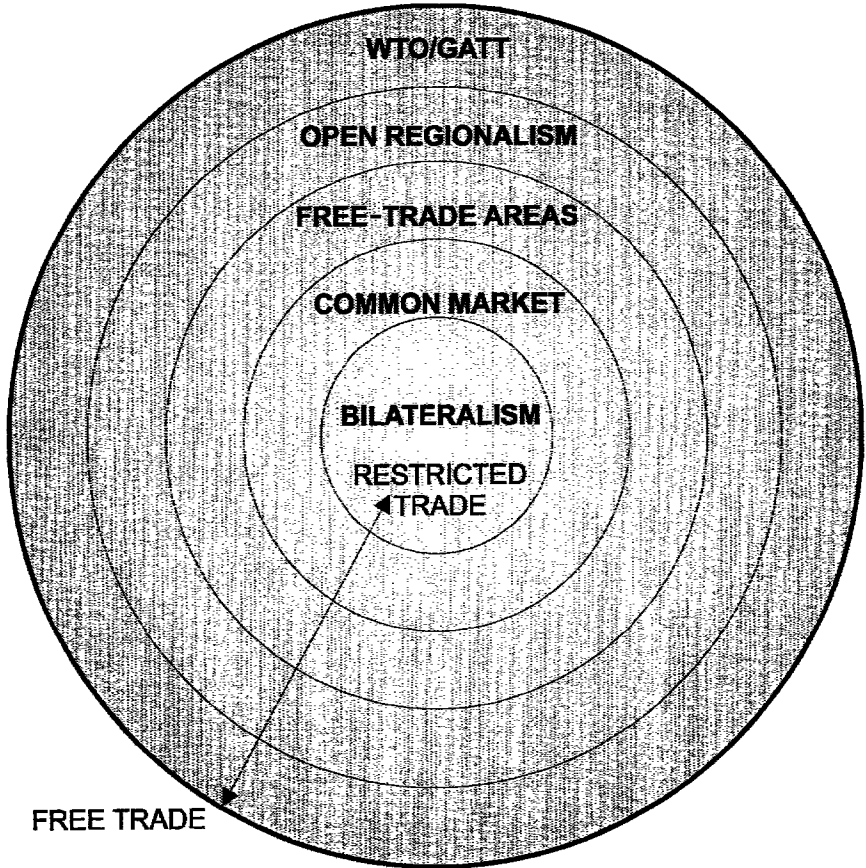


Figure 1 Conceptual framework for trade liberalization in the new world order

and the AFTA-EU Summit Meeting held in Bangkok in February 1996 are examples of this cooperation between regional trade blocs.

Appraisal of the globalization process

The appraisal of the globalization process will be presented in the order of the respective objectives established in this paper. This paper discusses the process of globalization as reflected in the development of the regional groupings. NAFTA, and more so APEC, are recent formations and as such the performances of these groupings, because of the lack of quantitative data, may not reflect the true nature of relationships between member

countries within the region. For example, it is impossible to quantify the trade performance of APEC as a trade group. The eighteen member nations of APEC are yet to realize the impact of a free-trade area, which is targeted for the year 2020.

In essence this paper analyses the reasons and the effects of global networking based on the concept of regionalism. The four main objectives contributing to the globalization thrust in this paper are that:

- there is a fundamental paradigm shift in political thinking and policy-making towards interdependence of nations rather than independence;
- there is a global shift from multilateral trade relationships to trade based on regionalism;
- there is a balancing between national and regional needs and where national stability is strengthened by the prospects of regional growth;
- regional interdependence is seen as a progress towards global interdependence.

A shift from multilateral trade relationships to trade based on regionalism

One of the major issues of world trade as we move towards the twenty-first century is the intensity of trade bloc formations. The free-trade advocates, the European nations and the United States (with Canada and Mexico), have grouped to form the two largest trade blocs the world has known.

A significant feature of recent decades has been the manner in which the growth of trade has outpaced the growth of production in the global economy. In 1988, total world exports were four times greater than in 1960 while total world output was a little under three times greater than in 1960 (Dixon and Drakakis-Smith 1993). This divergence in the two growth rates is an indication of the increasing degree of interdependence in the global economy. However, more recently, the world economy is witnessing a move towards a more intra-regional trade. Countries are now orientating to a more regional focus as witnessed by the continued integration of the EU, the formation of NAFTA and a growing Asian regional consciousness.

World trade seems to be dominated by the three regions of Europe, North America and East Asia: 79.8 per cent of world exports were generated and they received 79.2 per cent of the world imports in 1992. These three regions contained nearly 80 per cent of the world trade, and generated about 70 per cent of the world output (IMF 1993). Dixon and Drakakis-Smith (1993) described the three regional blocs as the 'triad' which like a modern, three-legged Colossus sits astride the global economy, and absolutely dominates the current world economy and trade. Kenichi Ohmae (1985, 1995) reflects a similar understanding of global realignment.

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Table 1 World trade share (per cent) and trade intensity indices of the three largest economic regions

	<i>Exports (\$ millions)</i>		<i>Imports (\$ millions)</i>		<i>Trade intensity 1980</i>	<i>Trade intensity 1995</i>
	<i>1980</i>	<i>1995</i>	<i>1980</i>	<i>1995</i>		
EU	1,014,903	2,534,638	971,904	2,393,824	0.59	0.62
% of world trade	43%	40%	41%	38%		
NAFTA	369,291	1,087,819	388,375	1,169,755	0.84	0.81
% of world trade	15%	17%	16%	19%		
East Asia	315,346	1,146,794	329,360	1,362,865	0.86	0.78
% of world trade	13%	23%	14%	22%		
Rest of the world	684,300	1,317,660	690,430	1,328,732	1	1
% of world trade	29%	20%	29%	21%		
Total world trade	2,383,840	6,386,911	2,380,069	6,255,176		
<i>Regional trade growth 1980-95</i>						
	<i>Exports (%)</i>		<i>Imports (%)</i>			
EU		150		146		
NAFTA		195		201		
East Asia		359		314		
World trade		168		163		

Source: World Development Indicators 1997, pp. 210-12.

Interdependence of nations rather than independence

Table 1 summarizes the global economic triangle. It suggests that the world trade share of East Asia had grown from 13 per cent in 1980 to 23 per cent in 1995. In the same period the EU share of world trade had declined by 3 per cent while NAFTA had increased by 2 per cent. Also during this period East Asia has had a large surplus of exports with both North America and Europe. The growth in exports by East Asia between 1980 and 1995 had increased by 359 per cent with a 13 per cent surplus trade balance. The growth in exports in the EU and NAFTA had increased by only 150 and 195 per cent respectively. The EU had a trade surplus of 3 per cent while NAFTA had a trade deficit of 3 per cent during the same period.

As shown in Table 1, the spectacular growth of East Asia is accompanied by a substantial decline in the regional trade bias. Petri (1994: 116) found that the trade bias was at relatively high levels after the Second World War but fell steadily in the following years. The table illustrates this in the trade intensity indices, where the trade bias has reduced during the period 1980 to 1995 from 0.86 to 0.78 in East Asia and from 0.84 to 0.81 in NAFTA. The EU, however, shows an increase in trade bias from 0.59 to 0.62 during the same period. The trade intensity index was developed by Brown (1949) and consequently popularized by Kojima (1964) to measure variations in bilateral trade levels that results from differential resistances, by abstracting

from the effects of size of the exporting and importing countries' (Drysdale and Garnaut 1994: 24).

East Asia is becoming a more economically integrated regional economy (Yamazawa 1994: 201). The general perception from outside is, however, that the region is not homogeneous and ready for a single united East Asia (*The Economist*, 2 March 1996: 25; 9 March 1996: 27). Indeed, the social, cultural, political and economic contrasts and conflicts that exist within the region make it one of the most potentially volatile in the world. Though this may be the case, recent trends in East Asia seem to go against this perception. The region is drawing synergy as never before and is forging a new cooperative dynamism as seen in the formation of ARI, AFTA and ASEM.

Globalism based on the concept of open regionalism¹ was formally recognized with the formation of APEC. Asia, especially ASEAN, is the central focus of this regional alignment. At present, Asia holds 25 per cent of international trade and this is expected to grow further at the expense of the present dominant regions (ibid.). This realization places Asia on a different keel – an understanding that Asia, before long, will be in a key position to influence world politics and economic decisions. This has created the need for a closer understanding of the economies in the region. There are strong evidences of exchange of ideas and views, cooperation in development projects, and greater interdependence between the different countries of regions in the pursuit of mutual economic development.

This is causing a fundamental shift in political thinking and policy decisions. APEC is a result of this shift, where East Asia is seen as a major global player that cannot be ignored any more. In fact it would be in the interests of the developed economies of the Pacific to include the developing nations of the region in a cooperative arrangement. The once opponent of regional arrangements, the US, has, from the frustrations of prolonged GATT rounds, moved to support free-trade areas (FTAs) with Israel, Canada and Canada/Mexico. The US, however, opposes the formation of trade blocs, which excludes its membership.

The movement towards regionalism and a growing consciousness of evolving Asian identity has also brought large trading groups such as the EU to the negotiating tables. The Asia-Europe Summit (ASEM) which ended on 2 March 1996 was said to have been an eye-opener to the Europeans (*The Economist*, 9 March 1996: 27). It was reported that the bridging process between the continents showed that the former colonialists now treated Asian countries as 'equals', and took the economic potential in Asia seriously. The difference between the negotiation methods of Asia and Europe was also reported in the article of *The Economist*. It said Asia was concerned with 'consensus more than breakthrough, camaraderie than formality, and process than substance', the Europeans were used to 'formal

fixed agendas and timetables' and preferred to 'report negotiating triumphs to their parliaments and electorates' (ibid.).

Summit meetings are now common within APEC and between regional groupings and this is expected to contribute to changes in political thinking and policy decisions as demonstrated above.

The following are policy issues that regions will be seeking to achieve:

- establishing economic frameworks that will reflect the synergy of the region;
- a shift towards self-determination in defence and in world politics;
- seeking the security and the operation of multilateral organizations;
- playing a greater role on regional and global issues;
- will be pushing for a freer world economy;
- pushing its sphere of influence to include other nations in the region.

If the interdependence of nations does not emerge, the current level of economic performance of Western nations indicates that the international marketplace may become more protectionist (Selvarajah 1994). Nations may impose more trade barriers, and imposing protectionist trade barriers may give temporary economic gain to countries imposing these barriers but in the long term this may lead to the slowing down of the world economy. The risk is, perhaps, even greater now than during the Great Depression of the 1930s as nations are now more global in orientation.

The Asian region has had and continues to have political, economic and social problems. It is clear that the division between socialism and capitalism remains as one important dimension of the regional fragmentation. The capitalist nations have experienced the worst of the communist insurgencies, but pockets of real and potential trouble still exist. Many political hotspots exist within the region, such as the unresolved stalemate between the two Koreas, the political impact of the transfer of Hong Kong to socialist China, the civil upheavals in Cambodia and the separatist movements in East Timor. These situations can erupt very quickly into violent expressions of dissatisfaction and repression.

A global Asian identity, however, seems to be emerging as a result of immigration, global commuting, improved communication and the accelerated mobility of capital. The overseas Chinese who have historically settled throughout Southeast Asia are the best illustration of a transnational East Asian community and are helping to forge links between Southeast and Northeast Asia, especially China, Taiwan and Hong Kong. A similar trend is recognized where overseas Indians are forging links between Southeast Asian economies such as Singapore and Malaysia with the Indian subcontinent.

Increased protection of the American market and the formation of NAFTA are likely to be accompanied by a general reduction of the American presence in East Asia. The easing of global tension has particularly reduced

the significance of American presence and there are clear signs that Japan is ready to replace the US in East Asian economic activity. On the other hand, as discussed earlier, although Japan and the Asian NIEs are the main players and China is the potential economic giant in the region, East Asian integration cannot emerge without the full participation of ASEAN.

Needs of a country are balanced with the needs of the region

Through greater regional awareness, nations are balancing their economic, political and social needs with the needs of the region and, through the prospects of greater regional economic growth, individual nations' economic and political stability are enhanced.

The effects of the Second World War, the demise of communism as a global political ideology and the growing concept of the global village have changed the ideas on nationalism and the sole importance of the nation-state. Countries have formed alliances for purposes of security, stability and economic growth (Baldwin 1993). History, in both Europe and Asia, has shown that nations have gone to war when traditional alliances have broken down. The two major wars in this century are examples of the result of rivalry. The EU and ASEAN are good examples of regional groupings formed for the purpose of creating political stability in the region and to enhance economic growth in the member countries and the region collectively.

The creation of the Canada-US Free Trade Area and subsequent formation of NAFTA was developed out of economic necessity and has been driven by the need for political stability and the ability to expand markets that were previously bilateral.

The admission of Myanmar and Laos to ASEAN, though opposed by Western nations, is seen as important to the development and stability of Southeast Asia.

Integration and cooperation in the EU has had some setbacks. The member states of the European Union are collectively having some difficulty in casting off and ceding sovereignty to European institutions. Member nations, such as Britain, are seeking a balance between maintaining their national sovereignty and identity within an expanded Europe. The economic growth of Europe, collectively, is seen as an important contributing factor in the growth of the British economy. To pursue both goals, that are to be part of the EU and to maintain aspects of British sovereignty, Britain has proposed the idea of a European Club. Nations such as Switzerland and Norway have based their rejection of the EU membership on national interest – they are not prepared to lose economic gains and neutrality respectively.

Regional interdependence is seen as the route towards global interdependence

The philosophical thrust of this objective is that regionalism is as a route to multilateralism: it would go on expanding, eventually embracing many, preferably all. Bhagwati, in his opposition to regionalism, is of the mind that given its appeal it is likely to spread' (Bhagwati 1993: 46). What he says is that 'it is important to contain and shape it the way . . . that it becomes maximally useful and minimally damaging, and consonant with the objectives of arriving at a multilateral free trade for all'.

The formations of the EU and NAFTA grouped two of the world's largest economic regions and have driven the world to trade more regionally (Anderson and Norheim 1993). Their formation has had strong influence on the world economy and trade order, and the trend towards trade regionalism now characterizes global trade. The question here is then whether regionalism contributes to global growth more than it retards.

The premise for the development of regional groupings, as mentioned, has been to increase the degree of economic interdependence among members by creating stable democratic political institutions and market-oriented economic institutions. As far as these objectives go, arguments for trade groupings do have strong merits. The admission of Vietnam, Myanmar and Laos into ASEAN is seen from this philosophical angle.

The question is whether trade groups promote free trade or whether it promotes protectionism. The phenomenon of trade groups may pose a serious threat to the free world trade order and to the World Trade Organization. Indeed, the WTO has a role in the management of trade groups. Although all trade groups claim that they are compatible with the WTO's free-trade philosophy, it is a fact that a trade group will favour its members against those who are not, and will encourage its members to trade within its region rather than outside its group. Almost all of the current trade blocs are grouped along geographical locations and the development of these world trade groups has seen some trend towards greater regional insularity.

Bhagwati (1993: 45) states that the US vision for regionalism as a clear route to multilateralism was flawed. He quotes, 'If American regionalism is not to turn into a piecemeal, world trading system-fragmenting force, it is necessary to give to it a programmatic world trade system unifying format and agenda'. The discriminating stance taken by the US to reject Malaysia's proposal for an Asian trade bloc, he says, is 'self-contradictory and self-serving: trade blocs are good for us but not for you'.

Such discouragement by the US in itself implies that regionalism is harmful or if left unchecked may be harmful to international trade and free-market operations.

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DISCUSSION

As the world settles into a new economic orbit, caused by the shifts in economic power eastwards, the ensuing scramble to retain past economic positions will cause nations to seek new alliances with those that can assure them of their own continued prosperity. This, in turn, will lead to a trend towards global coordination in trade.

While global realignment is viewed mainly as intercountry, it could also be interfirm, allowing firms as well as countries access to economies of scale and learning as well as access to markets, technology or a government's requirement for local ownership (Porter 1990: 66). Porter states that 'Alliances are frequently transitional devices. They proliferate in industries undergoing structural change or escalating competition, where managers fear they cannot cope' (1996: 66). While this quote relates to individual firms, it can also apply to nations and governments facing political and economic crisis.

With the admission of Austria, Sweden and Finland, the EU has probably reached the maximum number of members to make the EU workable in its present form. The goal of the EU must be to create a democratic, less bureaucratic, integrated economic and political all-or-nothing union of European countries, governed by a parliament with supranational powers. A deepening of the Union is needed before a widening to the East can take place. This deepening is best achieved with a one-speed Europe, rather than a multi-speed collection of countries that are pulling in different directions and choosing only what is good and convenient for them.

To create a united Europe, the EU needs to have common laws, defence, foreign policy and a single currency. These, when achieved, will give the EU unmatched clout in the world in terms of financial, political and military strength.

The trend in the future (and NAFTA is an example) is to move away from the bilateral style of agreements that are discriminatory, and focus on 'multilateral agreements' on a regional basis as a step towards a freer world economy. The preferred agreement is WTO, except that it is now too large (117 members) and because of the process involved; it is too slow in making decisions. The latest Uruguay GATT Round took seven years instead of the normal five-year period.

NAFTA is perhaps an example of how to first remove trade barriers within a geographical region to then proceed to global trade liberalization at a later stage. The agreement is innovative in that it addresses environmental and investment issues. The acid test of its success will be whether the tariff with the outside world is also reduced. If it rises, such as the Common Agricultural Policy (CAP) of the European Union, the path to a freer world economy is retarded.

Is NAFTA the US's answer to the EU? It would appear from the analysis above that the US has strategically planned NAFTA in order to create

opportunities that may go missing not only in the EU but also in other regions such as East Asia (for example, within the ASEAN grouping). However, with the NAFTA nations becoming part of APEC, the chances are less likely that the US will be denied opportunities in East Asia.

The EU offers no guarantees to the US in terms of access to markets, especially in the area of services. With NAFTA the US has secured a market the size of the EU, and with the impending admission of Chile and other Latin American nations, in the future that market will be substantially larger than the EU. In order to access NAFTA markets the EU will be forced to ensure that it reciprocates by allowing freer access by the US and other NAFTA nations. One could well say that this is the very reason why NAFTA is the US response to the EU.

Last but not least, the growing economies of Mexico, Chile and other Latin American countries (potential NAFTA members) offer lucrative markets for US goods and services. These countries with a large young population may eventually create a bigger market for US goods and services than the whole of the EU ever could.

It seems that, for now at least, the US has come out with a winning survival strategy. NAFTA is a noteworthy achievement, but its implications for the three member countries cannot be exaggerated. By widening the scope of the market and enlarging the range of available labour skills, NAFTA enables the North American companies to compete more effectively against foreign producers, both at home and in the world markets.

Yet NAFTA does not give the world trading market the feeling that the Americans are keen to pursue a totally open market. They appear to want to create an extended home market basically to bolster its own economy. Until trade agreements such as NAFTA, the EU, AFTA and even the CER take into account that the world needs to be totally borderless, there will never be free trade.

Talks are continuously taking place within ASEAN and some East Asian countries for the construction of a European Union-type structure to present a common voice and to be heard in the world. This progressive and forward thinking, at times, dispels a commonly held misconception that East Asia is divided by religions, beliefs and past animosities. The integrationists believe East Asia, in fact, is united by common historical experiences and a shared set of values and social institutions. The case for believing that East Asia can integrate rests on their growing economic linkages. It is based on the idea that the region has a great deal in the way of common heritage.

In conclusion, despite the social, cultural, political and economic contrasts and conflicts faced by the APEC nations, a strong alliance based on cooperation is taking place. Restricted access to the European markets has also increased the intra-US and Asian trade, and regional cooperation.

The two markets that have to remain open for a developing East Asia are Japan and the US. The US interest in the past has been global but with the

formation of NAFTA there is increasing doubt whether this will still remain the same. Its position in APEC is important to developing countries in Asia, as they still need the US market for their exports. With the economic growth of Asia and the increasing intra-regional trade within Asia, this position the US has with Asia may not remain the same. It would be in US interest to safeguard its current position of dominance. Remaining an active and influential member in APEC and being part of the Asian economic sphere is crucial to maintaining this stand.

There still exist various opinions among APEC members about free trade and open regionalism. For example, the Japanese outlook seems to be more regional (Cole 1994). China thinks APEC should recognize the different levels of economic development of its members to ensure the poorer ones do not lose out if tariffs fall at a progressively faster pace. While Indonesia and Singapore want to go ahead with free trade, Thailand and the Philippines favour a slower pace. Malaysia's Prime Minister, Datuk Seri Dr Mahathir Mohamad, thought that APEC should not be a structured organization, it should be a mere forum where developed nations can help less-developed nations with their problems (Hoon 1991; Kiyokatsu 1993). APEC officials acknowledge there is still an awful lot of work to be done to turn the forum into a functioning free-trade area based on the concept of open regionalism. It is said, 'What is politically impossible now may not be politically impossible in a few years' time' (McBeath 1994: 29).

The number of trade groups that exist within APEC may be viewed as an evolution – as steps from nationalism, to regionalism, before the final step of globalism. It can be argued that the nations of CER, AFTA, NAFTA, and even other groups such as the Arab Common Market and the Andean Common Market, are developments towards larger groupings. It is unlikely that APEC will be made redundant as nations interfuse within multiple and overlapping free-trade areas. This will effectively leapfrog APEC on to the globalist path. APEC's strength is in the relationships that the nations have already built.

CONCLUSION

Competition has been a strong motivating force in establishing these regional groupings. As indicated in this paper, the world is currently witnessing the biggest shift in economic strength for more than a century. The current industrial economies, which dominate the globe, are likely to be dwarfed by newly emerging nations, mostly from Asia.

Global competition has come about basically to create wealth in a secure environment. The three triads have been formed in support of this principle. Globally, countries are seeking new alliances in order to maintain or improve living standards. This has been the underlining theme for the new global realignment as discussed in this paper.

The displaced low-skilled workers in developed countries and the lack of development in the African continent are appearing as two black spots in the

current global realignment. If these trends cannot be averted in some way they may become tinder spots that could threaten the globalization process.

An integral part of global realignment is the assumption of global leadership. As the global interests of the colonial powers of Great Britain, France and the Netherlands waned, the mantle of global leadership was transferred to the United States. During the late 1980s and 1990s, the US accumulated high levels of debts and trade deficits and with the ascendancy of Japan and East Asia the economic baton may again change. Historically, economic strength has gone hand in hand with political strength. This suggests a number of developments over the next few years to determine where the new mantle of leadership will lie. The increasing political stability within the Asia region and the status of a number of Asian countries as creditor nations strengthens this potential claim.

Japan on the other hand has never taken a global leadership role. It has continually avoided any kind of global leadership and it is a reluctant participant in the leadership game in Asia. However, there are strong indications that, at least on the economic front, the country is entering a new era. Japan is a relatively closed US\$4 trillion economy. Its current import of manufactured goods is only 3 to 4 per cent, while the average for the G7 countries is 10 per cent (Holloway 1994; Higgott *et al.* 1991). If Japan becomes an importer of manufactured goods, it alone could restart the depressed world economy.

The main obstacle to Japan taking a leading role as international spokesperson has always been its lack of leadership abilities. In recent years the country has also been preoccupied with political problems and recently with recessionary trends in the economy. Most of Japan's energies are being channelled into managing the economic crisis and its domestic political reforms at the cost of a multidimensional global leadership.

ASEAN was seen as a beacon leading the way to 'Global Asia'. However, recent economic events in Southeast Asia diminish the prospects of ASEAN playing a leading role. If and when global leadership is transferred to Asia the structures that will promote East Asia's interests globally need to be in place. Japan may provide the major market, when it decides to deregulate its economy, but who will provide global leadership?

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NOTE

- 1 Drysdale and Garnaut (1994) have been credited for popularizing the concept of 'open regionalism'. They view open regionalism as having a natural growth from the themes of market integration and government support for public goods that facilitate international trade within a region (p. 2).

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